Registration number: 7720972

Apache North Sea Production Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Apache North Sea Production Limited

Contents

Apache North Sea Production Limited

Company Information

Directors	J W Sauer S Greig T R Custer K H Neupert R M Littlewood
Company secretary	Cargil Management Services Limited
Registered office	27/28 Eastcastle Street London W1W 8DH United Kingdom
Bankers	Citibank N.A. Canada Square Canary Wharf London E14 5LB
Auditors	Ernst & Young LLP 4th Floor 2 Marischal Square Broad Street Aberdeen AB10 1BL

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their report for the year ended 31 December 2020.

Fair review of the business
Apache North Sea Production Limited's ('Apache') principal activity was the provision of services to companies within the group.

The company recharges its personnel costs to other group companies at an agreed mark-up whilst non-personnel costs are recharged with no mark-up, as they are already at market value.

During 2020, the company had 2% lower Revenue of £99,572,000 (2019 £101,252,000), as the wider Apache group underwent a reorganisation to reduce costs. This resulted in a number of redundancies which impacted the personnel costs and associated mark up. Operating Profit has reduced by £9,576,000 mainly due to absence of 2019 foreign exchange gains. Profit After Tax in the year was £7,900,000 (2019 - profit of £13,865,000). The Directors do not recommend a dividend.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties
The principal risk for the company is the company's ability to pay creditors which will be dependent on funds received from the provision of services to companies within the group. In the event that this was insufficient, the company is dependent on the financial support of its parent or other group undertakings.

Future developments
On 4 January, 2021, Apache Corporation announced that its Board of Directors authorised Apache Corporation to proceed with the implementation of a holding company reorganisation, including creating a new holding company, APA Corporation (APA). Upon completion of the holding company reorganisation, Apache Corporation became a wholly-owned subsidiary of APA, with no impact to Apache North Sea Production Limited and it's immediate parent company Apache Corporation LDC. The holding company reorganisation was completed during the first quarter of 2021.

The COVID-19 pandemic and the actions taken by third parties, including, but not limited to, government authorities, businesses, and consumers, in response to the pandemic have adversely impacted the global economy and created significant volatility in the global financial markets. Business closures, restrictions on travel, "stay-at-home" or "shelter-in-place" orders, and other restrictions on movement within and among communities have significantly impacted the group companies Apache provides services to. The unprecedented nature of the current situation resulting from the COVID-19 pandemic makes it impossible for the Company to identify all potential risks related to the pandemic or estimate the ultimate adverse impact that the pandemic may have on its business.

Section 172 statement

This section of the Strategic Report describes how the directors of the company have had regard to the matters set out in section 172 (1), and forms the directors' statement required under section 414CZA, of the Companies Act 2006.

The directors have performed their duties and acted in a way that they considered, in good faith, to be most likely to promote the success of the Company, and effectively engaged with and encouraged participation from the Company's stakeholders under Section 172 (1) (a) to (f). In doing so, the directors have regard, amongst other matters, to:

• The likely consequences of any decision in the long term

During 2020, the global economy and the energy industry were deeply impacted by the effects of the COVID-19 pandemic and related third-party actions. Apache has continued to respond quickly and decisively, taking the following strategic actions:

- Establishing and implementing a wide range of fit-for-purpose protocols and procedures to ensure a safe and productive work environment across the Company's diversified global onshore and offshore operations.

- Completing an organisational redesign focused on centralising certain operational activities in an effort to capture greater efficiencies.

Apache Corporation has historically employed a decentralised geographic region-focused approach to operations. North Sea directors agree strategy and goals with Apache Corporation and execute plans and activity for the Region. Any decisions are considered with regard to relevant stakeholders. During the second half of 2019, Corporate Management initiated a comprehensive redesign of Apache's organisational structure and operations that it believes will better position the company to be competitive for the long-term and further reduce recurring costs. The reorganisation efforts were substantially completed in 2020. Changes in Apache's Board of Directors in April 2020, are aligned with this reorganisation.

• Engagement with Workforce

As a company, Apache believes its people are its greatest asset. Exploring what's possible at Apache is the union of curiosity, intellect, and hard work, built on mutual respect, honesty, integrity, and a keen sense of responsibility for the Company's team, community, and the environment. With respect to its employees, the Company is focused on health and safety, diversity and inclusion, and total rewards, so that joining the Apache family is a positive experience for all.

In 2020, a major redesign of Apache Corporation's organisational structure and operations and the global COVID-19 pandemic had significant impacts on the Company's human capital management. In response to the global COVID-19 pandemic, Apache implemented significant operating environment changes that the Company determined were in the best interest of its employees and complied with government regulations. These changes include having the vast majority of Apache's employees working from home, while implementing additional safety protocols and procedures for essential employees continuing critical on-site work.

• Health and Safety

Safety underpins the Company's core values and is at the forefront of decision-making at every level of the Apache organisation. Apache is committed to driving a safety culture that empowers its team to act as needed to work safely and to stop the job if conditions are deemed unsafe.

Apache offers a wide range of training programmes for employees and contractors to promote their full understanding of, and compliance with, the Company's health and safety policies and programmes and to help build the skills needed to work safely. In addition to providing specific skills, these training programmes encourage personal responsibility for safe operating conditions and help build a culture of individual accountability for conducting job tasks in a safe and responsible manner. For example, in an effort to connect teams with management, Apache's elected safety representatives have increased workforce engagement around offshore operations and safety. New platform meetings put safety at the forefront of conversations about performance, accidents and hazards, industry updates, and valuable topics such as mental health.

• Diversity and Inclusion

Diversity and inclusion (D&I) are vital to Apache's long-term sustainability. The Company is committed to being a workplace where all employees are valued and can thrive with a sense of belonging, not just as an employee, but as a person. This benefits the individual, Apache and the Company's stakeholders. Apache is better as an organisation when various ideas and perspectives are brought to the table. With this in mind, Apache Corporation evaluated its recruiting, talent management, and learning efforts to identify and implement changes that would allow for increased employee opportunities, belonging, and workplace diversity.

To showcase a visible commitment, Apache Corporation launched a Diversity & Inclusion employee site that provides D&I and allyship trainings and information on how to join and initiate Employee Resource Groups (ERG). Apache Corporation currently has four ERGs: the Apache Women's Network (AWN), Apache Young Professionals' Network (AYPN), Apache D&I Council, and the newly formed Apache Black Professionals Network (ABPN). These groups encourage cultural awareness, professional development, community outreach, and networking. The Company looks forward to expanding its ERGs to help build employee connections and belonging, support Apache's community outreach programmes, and foster career development. Over the years to come, Apache will continue to actively support employees in forming additional demographic-based groups (e.g. ethnicity, nationality, age, sexual orientation, etc.), as well as interest-based groups (e.g. support, sports, hobbies, etc.).

Apache embraces the idea of continuous improvement in all that it does, and its D&I journey is no different. The Company is committed to continually improving and making changes throughout the organisation to foster a more inclusive and diverse workforce.

• Total Rewards

Apache's total rewards are designed to attract, retain, and reward top talent. As part of its compensation philosophy, Apache offers and maintains a robust total compensation package that includes a competitive base salary, industry-leading benefits, and performance-driven incentives. The Company believes that a compensation programme with both short-term and long-term incentives provides fair and competitive compensation and aligns employee and stockholder interests. Apache's incentive compensation programmes reward Company and individual performance by incorporating metrics related to Apache's operations, financial, ESG, and workforce safety initiatives.

• Development

Apache continues to invest in its workforce and is taking a holistic approach to career development by identifying and building specific core competencies, which will enhance career mobility within the organisation. Apache stresses the importance of continuous improvement at all career stages; with training being completed through Apache Academy, its online learning and development programme.

Apache continues to build employment engagement through meaningful work, growth opportunities, leadership development, community outreach and a fair inclusive work environment.

• Code of Business Conduct and Ethics

Apache adopts a code of business conduct and ethics for the directors and employees of the company. Every employee and director receive training on this code of Business Conduct and Ethics at regular intervals and must recertify compliance annually. The code can be accessed on the Governance page of APA Corporation's website www.APAcorp.com.

Approved by the Board on 28 September 2021 and signed on its behalf by:

Susan Greig
....
S Greig
Director

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' of the company
The directors who were appointed to, resigned from, or served in office during the year were as follows:

G L Ables (resigned 1 April 2020)

J A Graham (resigned 1 April 2020)

J W Sauer

S Greig (appointed 1 April 2020)

R J J Chelte (appointed 1 April 2020 and resigned 17 May 2021)

T R Custer (appointed 1 April 2020)

K H Neupert (appointed 1 April 2020)

The following director was appointed after the year end:

R M Littlewood (appointed 17 May 2021)

Employment of disabled persons
The company offers the same opportunity to disabled employees in matters of recruitment and career advancement, if they can perform the tasks with or without training, and to provide retraining where necessary when disability is incurred during employment with the company.

Going concern
The financial statements have been prepared under the going concern basis and the directors have reviewed the going concern period to 30 September 2022. The principal risk for the company is the company's ability to pay creditors which will be dependent on funds received from the provision of services to companies within the group. In the event that this was insufficient, the company is dependent on the financial support of its parent or other group undertakings. In particular, the directors believe that the company will be able to continue in operational existence based on the parental support Apache Corporation provides to Apache North Sea Production Limited.

The directors have considered the liquidity and solvency of Apache Corporation and based on this assessment they believe that the Company will be able to continue in operational existence given the support provided by their operating parent company, Apache Corporation. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Taking into consideration the continuing support from the operating parent undertaking, no material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

Political donations
The company made no political donations during 2020.

Disclosure of information to the auditors
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

• to the best of each director's knowledge and belief, there is no information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and

• each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

The directors have taken advantage of section 414C(11) to disclose in the Strategic Report certain information otherwise required to be disclosed in the Directors Report.

Environmental report
Apache North Sea Production Limited is a procurement company for Apache North Sea Limited (ANSL) and Apache Beryl I Limited (ABIL) and does not have a significant carbon footprint of its own. Therefore, associated disclosures re the Streamlined Energy and Carbon Reporting requirements are included in ANSL and ABIL individual Statutory Accounts.

Approved by the Board on 28 September 2021 and signed on its behalf by:

Susan Greig
S Greig
Director

Apache North Sea Production Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Apache North Sea Production Limited

Opinion

We have audited the financial statements of Apache North Sea Production Limited (the "company) for the year ended 31 December 2020, which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern until 30 September 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 8), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
• We understood how the company is complying with those frameworks by making enquires of management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
• We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk.
• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry with management and considering whether any events or conditions during the audit might have indicated non-compliance with laws and regulations.
• Our procedures on journal entries testing included a focus on journals meeting our defined risk criteria, including those posted by those charged with governance, based on our understanding of the business and enquiry with management. Where instances of higher risk journals were identified, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information. We incorporated unpredictability into our testing of manual journals and into our testing of revenue recognition.

Apache North Sea Production Limited

Independent Auditor's Report to the Members of Apache North Sea Production Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
....
Gemma Noble (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

Date 29 September 2021

Apache North Sea Production Limited

Statement of Profit or Loss for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	99,572	101,252
Cost of sales		(85,324)	(77,402)
Gross profit		14,248	23,850
Administrative expenses		(61)	(87)
Operating profit	5	14,187	23,763
Finance income	9	6	1
Finance costs	10	-	(28)
		6	(27)
Profit before tax		14,193	23,736
Tax charge on profit on ordinary activities	11	(6,293)	(9,871)
Profit for the year		7,900	13,865

The above results were derived from continuing operations.

Apache North Sea Production Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
Profit for the year	7,900	13,865
Other comprehensive income	-	-
Total comprehensive income for the year	7,900	13,865

The notes on pages 17 to 37 form an integral part of these financial statements.

Apache North Sea Production Limited

(Registration number: 7720972)
Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Non-current assets			
Deferred tax	11	2,560	4,619
Current assets			
Trade and other receivables	12	97,049	86,706
Cash and cash equivalents		2,007	1,440
		99,056	88,146
Creditors: Amounts falling due within one year	13	(40,252)	(39,301)
Net current assets		58,804	48,845
Net assets		61,364	53,464
Capital and reserves			
Retained earnings		61,364	53,464
Total shareholders' funds		61,364	53,464

Approved by the Board on 28 September 2021 and signed on its behalf by:

Susan Greig
S Greig
Director

The notes on pages 17 to 37 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2020

	Retained earnings £ 000	Total £ 000
At 1 January 2020	53,464	53,464
Profit for the year	7,900	7,900
Other comprehensive income	-	-
Total comprehensive income	7,900	7,900
At 31 December 2020	61,364	61,364

	Retained earnings £ 000	Total £ 000
At 1 January 2019	39,599	39,599
Profit for the year	13,865	13,865
Other comprehensive income	-	-
Total comprehensive income	13,865	13,865
At 31 December 2019	53,464	53,464

The notes on pages 17 to 37 form an integral part of these financial statements.

1 General information

Apache North Sea Production Limited (the "company") is a private company limited by share capital, incorporated in the United Kingdom and domiciled in Scotland. The registered address of the company is 27/28 Eastcastle Street, London W1W 8DH.

The company's principal activity is the provision of services to other group companies.

These financial statements were authorised for issue by the Board on 28 September 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The Company has considered all new and amended International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), that are mandatorily effective for the year ending 31 December 2020. In the current year, the following new and revised standards and interpretations have been adopted. None of these have a material impact on the company's annual results.

- References to Conceptual Framework in IFRS Standards
- IFRS 3 Business Combinations - Definition of a Business
- IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform
- IFRS 9 Financial Instruments - Interest Rate Benchmark Reform
- IAS 1 Presentation of Financial Statements - Definition of Material
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- IAS 39 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform

2 Accounting policies (continued)

Basis of preparation

The financial statements of the company have been prepared in accordance with Financial Reporting Standard ("FRS") 101 and the Companies Act 2006 ("the Act"). FRS 101 sets out a reduced disclosure framework for a "qualifying entity", as defined in the Standards, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS").

The company is a qualifying entity for the purposes of FRS 101. Note 17 gives details of the company's ultimate parent and from where consolidated financial statements within which the company is included may be obtained.

The financial statements are presented in GB Pounds, the functional currency of the company, and all values are rounded to the nearest thousand except where otherwise indicated. Note 15 Share-based payments are presented in US Dollars reflecting the currency of the awards.

The rate of exchange used for 31 December 2020 is £1:$1.3671 (2019 £1:$1.3245).

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:
(a) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79 (a) (iv);
(b) the requirement of paragraphs 10 (d), 10 (f), 16, 38B-38D, 111 and 134-136 of IAS 1;
(c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(d) the requirements of IAS 7 Statement of Cash Flows;
(e) the requirement of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
(f) the requirement in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(h) the requirements of paragraphs 45 (b) and 46 to 52 of IFRS 2 Share Based Payment; and
(i) the requirements of IFRS 7, Financial Instruments: Disclosures.

2 Accounting policies (continued)

Going concern

The financial statements have been prepared under the going concern basis and the directors have reviewed the going concern period to 30 September 2022. The principal risk for the company is the company's ability to pay creditors which will be dependent on funds received from the provision of services to companies within the group. In the event that this was insufficient, the company is dependent on the financial support of its parent or other group undertakings. In particular, the directors believe that the company will be able to continue in operational existence based on the parental support Apache Corporation provides to Apache North Sea Production Limited.

The directors have considered the liquidity and solvency of Apache Corporation and based on this assessment they believe that the company will be able to continue in operational existence given the support provided by their operating parent company, Apache Corporation. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Taking into consideration the continuing support from the operating parent undertaking, no material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

The COVID-19 pandemic and the actions taken by third parties, including, but not limited to, government authorities, businesses, and consumers, in response to the pandemic have adversely impacted the global economy and created significant volatility in the global financial markets. Business closures, restrictions on travel, "stay-at-home" or "shelter-in-place" orders, and other restrictions on movement within and among communities have significantly impacted the group companies Apache provides services to. The unprecedented nature of the current situation resulting from the COVID-19 pandemic makes it impossible for the Company to identify all potential risks related to the pandemic or estimate the ultimate adverse impact that the pandemic may have on its business.

Revenue recognition

Recognition

The company earns revenue from the provision of services to other group companies. This revenue is recognised in the accounting period when the services are provided.

2 Accounting policies (continued)

The company provides two types of service to other group companies: personnel and accounts payable. All the employee contracts for the Apache North Sea region are held by the company and it provides the services of these employees to other group companies. The company also pays vendor invoices on behalf of other North Sea group companies and recharges the cost to these other group companies.

With regard to personnel services, the completion, delivery and satisfaction of the performance obligation is the date of payment of salary and benefit costs.

For accounts payable services, the completion, delivery and satisfaction of the performance obligation is the date of recording the vendor invoice.

Principal versus agent

In providing services to other group companies, the company needs to establish whether it is acting as a principal or an agent.

The employee contracts for the Apache North Sea region are held by the company, therefore it is in a position of being able to control the services of employees provided to other group companies and as such can be regarded as acting as a principal.

The company pays vendor invoices on behalf of other group companies. However, the company has no control over the goods or services provided by a vendor to other group companies and is simply arranging payment for the underlying goods or services provided by a vendor thereby acting as an agent.

In making this assessment, the company has considered the discretion it has in establishing the price for the specified good or service, whether it has inventory risk and whether it is primarily responsible for fulfilling the promise to deliver the goods or service.

For the provision of personnel services, where the company is acting as a principal, revenue is recorded on a gross basis.

For the payment of vendor invoices, where the company is acting as an agent, the invoice cost and corresponding amount recharged is recorded as a net amount in cost of sales.

Transaction price

Revenue is recognised from the provision of personnel services to other group companies. Revenue, which is stated net of VAT, represents the employees salary and benefits costs. A mark-up of 10% is applied to the salary and benefits costs in accordance with the transfer pricing agreement.

Finance income and costs policy

Interest income and interest cost is recognised in the Statement of Profit or Loss as it accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

2 Accounting policies (continued)

Foreign currency transactions and balances
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Statement of Profit or Loss.

Tax
The tax expense for the period comprises current and deferred tax and includes corporation tax and supplementary charge. Tax is recognised in the Statement of Profit or Loss, except when a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The accounting policy on Financial Instruments contains details of impairment of cash and cash equivalents.

Trade receivables
Trade and other receivables are amounts due from customers for goods or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the transaction price. A provision for the impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The accounting policy on Financial Instruments contains details of impairment of receivables.

Trade and other payables
Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

2 Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the Statement of Profit or Loss as they become payable in accordance with the rules of the scheme.

Apache Retirement Choices Pension Plan commenced in 2019, which provided to consolidate the existing Apache Group Pension Plan into the Apache Retirement Choices Plan. In relation to the group personal pension scheme and to the retirement choices plan, the company contributed £5,458,000 during the year to 31 December 2020 (2019 - £5,223,000).

As the company is not responsible for any surpluses or deficits arising in the defined benefit pension scheme to which its employees belong, the company has not made any disclosures in relation to that scheme. The relevant disclosures have been made in the financial statements of Apache North Sea Limited which bears liability for the costs of the scheme.

Share based payments

The Apache Corporation group of companies issue equity-settled and cash-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is charged to the company and expensed on a straight-line basis over the required service period, based on the Apache Corporation group of companies' estimate of shares that will eventually vest and be adjusted for the effect of non-market-based vesting conditions. An amount corresponding to the charge, less amounts recharged by Apache Corporation in respect of share-based payment, is recognised in equity as a capital contribution. To date, charges have equated to amounts recharged by Apache Corporation and consequently there have been no capital contributions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions, and behavioural considerations.

The Apache Corporation group of companies also provide employees with the ability to purchase the group's ordinary shares at a discount. The company records an expense charged to it by the Apache Corporation based on the group's estimate of the discount related to shares expected to vest on a straight-line basis over the vesting period.

Financial instruments

Initial recognition

The company recognises financial assets in the Statement of Financial Position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. After initial recognition, financial assets are measured at amortised cost, fair value through Other Comprehensive Income or fair value through the Statement of Profit or Loss.

2 Accounting policies (continued)

Classification
The company's financial assets consist of trade and other receivables, receivables from other group companies and cash balances.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or the company transfers these rights or the company does not retain control of the financial asset.

Impairment of financial assets

Measurement of Expected Credit Losses

Impairment is based on an expected credit loss model. Under the expected credit loss model an allowance for losses is calculated based on a 12-month expected credit loss or a lifetime expected credit loss. The company has chosen to make allowance for expected losses on a lifetime basis.

For the current accounting period the financial assets are not impaired.

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions
The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions regarding certain assets, liabilities, revenues and expenses. Such estimates must often be based on unsettled transactions and other events and a precise determination of many assets and liabilities is dependent upon future events. Actual results may differ from estimated amounts.

By their nature, estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. The key area of significant accounting judgement and estimation uncertainties involved in preparing these financial statements is addressed below.

Share based payment
There are significant judgements and estimate techniques applied in determining the fair value of those share based payment schemes that involve granting of share options. The charge incurred by the company in respect of these schemes relies on the determination of a fair value and includes assumptions such as volatility, dividend yield and expected term of the options and underlying shares.

4 Revenue

All turnover is derived from sales made in the United Kingdom. The analysis of the company's revenue for the year from continuing operations is as follows:

	2020 £ 000	2019 £ 000
Rendering of services	99,572	101,252

5 Operating profit

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Foreign exchange loss (gains)	400	(9,957)

6 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	28	29
Other fees to auditors		
All other tax advisory services	29	48
All other assurance services	9	-
	38	48

7 Directors' remuneration

None of the directors received any fees or remuneration for services as directors of the company during the financial year. The directors also hold office in other group undertakings. Emoluments paid to directors by other group companies are disclosed within their financial statements.

8 Staff costs

The aggregate payroll costs were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	67,437	66,292
Social security costs	7,365	7,390
Pension costs	7,720	7,176
Severance costs	2,181	16
Share-based payment expenses	4,768	10,443
	89,471	91,317

The severance costs have been shown separately from wages and salaries in the current year. The prior year comparatives have been reclassified to be consistent. The severance costs for 2020 include director Jon Graham's severance costs, which was back charged to the UK.

The average monthly number of persons employed by the company during the year was as follows:

	2020 No.	2019 No.
Onshore	193	202
Offshore	430	421
	623	623

9 Finance income

	2020 £ 000	2019 £ 000
Interest income on bank deposits	1	1
Other finance income	5	-
	6	1

10 Finance costs

	2020 £ 000	2019 £ 000
Other finance costs	-	28

11 Tax on profit on ordinary activities

Tax charged in the statement of profit or loss

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax charge on profit for the year	5,122	8,258
UK corporation tax charge in respect of previous years	(888)	4,038
	4,234	12,296
Deferred taxation		
Arising from origination and reversal of temporary differences	1,756	(2,425)
Attributable to true-up of prior year balances	303	-
Total deferred taxation	2,059	(2,425)
Tax expense in the statement of profit or loss	6,293	9,871

Upstream oil and gas production activities are taxed at a UK corporation tax rate of 30% (2019: 30%) plus a supplementary charge of 10% (2019: 10%), giving an overall effective rate of 40% (2019: 40%). As the company's principal activity was the provision of services to companies within the group with upstream oil and gas production activities, the tax on profit before tax for the year is the same as the standard rate of 40% (2019 - 40%). The 2019 figures are updated to reflect a reconciliation to the standard rate of 40% in alignment with the current year.

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	14,193	23,736
Corporation tax at standard rate	5,677	9,494
Income taxed at different rates	139	(2,102)
Group relief surrendered for no compensation	125	(1,902)
True-up of prior year amounts	(585)	4,039
Other	937	342
Total tax charge	6,293	9,871

11 Tax on profit on ordinary activities (continued)

Due to an administrative change in interpretation by Her Majesty's Revenue and Customs Agency as to the taxation of related parties providing services to group companies engaged in upstream oil and gas activities agreed in late 2017, the company is taxed at a combined 40% tax rate.

Deferred tax assets are recognised to the extent there are sufficient future forecasted profits available against which the deferred tax assets can be utilised. All deferred tax assets of the company are recognised because in the opinion of the Directors, it is likely that sufficient profits will be available to recognise the deferred tax assets.

Deferred tax asset

The deferred tax asset is made up as follows:

	2020 £ 000	2019 £ 000
Other timing differences	2,560	4,619
	2,560	4,619

Deferred tax provision	2020 £ 000	2019 £ 000
Opening balance	4,619	2,195
Charged during the year	(2,059)	2,424
Closing balance	2,560	4,619

12 Trade and other receivables

	31 December 2020 £ 000	31 December 2019 £ 000
Receivables from related parties	94,158	84,078
Other receivables	2,891	2,628
	97,049	86,706

The fair value of trade and other receivables are not materially different to the book value.

13 Creditors: Amounts falling due within one year

	31 December 2020 £ 000	31 December 2019 £ 000
Trade and other payables	15,510	15,770
Accrued expenses	11,895	9,035
Amounts due to related parties	10,152	4,432
Social security and other taxes	2,695	2,871
Income tax liability	-	7,193
	40,252	39,301

14 Called up share capital

Allotted, called up and fully paid shares

	31 December 2020		31 December 2019	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1

15 Share-based payments

Stock Compensation Plans

General overview

As of 31 December 2020, the ultimate parent undertaking, Apache Corporation, has several stock-based compensation plans which include stock options, restricted stock and conditional restricted stock unit plans, in which employees of Apache North Sea Production Limited are eligible to participate. These include the 2016 Omnibus Compensation Plan (the 2016 Plan), which is used to provide eligible employees with equity-based incentives by granting incentive stock options, non-qualified stock options, performance awards, restricted stock awards, restricted stock units, stock appreciation rights, cash awards, or any combination of the foregoing. Previously approved plans remain in effect solely for the purpose of governing grants still outstanding that were issued prior to the approval of the 2016 Plan. All new grants are issued from the 2016 Plan. In 2018, Apache Corporation began issuing cash-settled awards (phantom units) under the restricted stock and conditional restricted stock unit plans. The phantom units represent a hypothetical interest in Apache Corporation's stock and, once vested, are settled in cash. The compensation expense related to the phantom stock units is classified as a liability and re-measured at the end of each reporting period over the vesting terms.

Costs related to the plans are capitalised or expensed based on the nature of each employee's activities. The overall cost of stock based compensation in 2020 was £4,768,000 (2019 - £10,442,000). This cost is for all stock compensation plans available to employees of Apache North Sea Production Limited.

A description of the stock-settled and cash-settled unit compensation plans and related costs follows.

15 Share-based payments (continued)

Stock Options

Scheme details and movements

As of 31 December 2020, employees held options to purchase shares of Apache Corporation's common stock under the 2007 Omnibus Equity Compensation Plan, the 2011 Omnibus Equity Compensation Plan (2011 Plan), and the 2016 Plan (together, the Omnibus Plans). New shares of Apache Corporation common stock will be issued for employee stock option exercises. Under the Omnibus Plans, the exercise price of each option equals the closing price of Apache Corporation's common stock on the date of grant. Options granted become exercisable ratably over a three-year period and expire 10 years after granted. The Omnibus Plans were submitted to and approved by Apache Corporation's shareholders.

A summary of stock options issued and outstanding under the Omnibus Plans is presented in the table and narrative below:

	31 December 2020 Number 000	31 December 2019 Number 000
Outstanding, start of period	146	182
Forfeited during the period	(2)	3
Expired during the period	(38)	(39)
Transfers out during the period	(3)	-
Outstanding, end of period	103	146

The weighted average exercised price of stock options issued and outstanding during the year was as follows:

	31 December 2020 $	31 December 2019 $
Outstanding, start of period	84.30	84.46
Forfeited during the period	47.79	171.87
Expired during the period	94.25	90.85
Transfers out during the period	54.47	-
Outstanding, end of period	82.36	84.30

Outstanding Stock Options

Details relating to options outstanding at the end of the year were:

(1) options outstanding had a weighted average remaining contractual life of 2.5 years (2019 - 3.1 years) and no intrinsic value (2019 -$nil)

(2) 4,000 options expected to vest (2019 - 13,000) had a weighted average remaining contractual life of 7.0 years (2019 - 7.9 years) and no intrinsic value (2019 - $nil)

(3) 99,000 options exercisable (2019 - 133,000) had a weighted average remaining contractual life of 2.3 years (2019 - 2.6 years) and no intrinsic value (2019 - $nil)

15 Share-based payments (continued)

Fair value of Stock Options granted

The weighted average fair value of options granted during the year was $0.00 - (2019 - $0.00).

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model, a Level 2 fair value measurement.

Stock-settled Restricted Stock Units

Scheme details and movements

Apache Corporation has restricted stock unit plans for eligible employees. The programs created under the Omnibus Plans have been approved by Apache Corporation's Board of Directors. The value of the stock-settled awards issued was established by the market price on the date of grant and is being recorded as compensation expense rateably over the vesting terms.

The movements in the number of stock-settled restricted stock units during the year were as follows:

	31 December 2020 Number 000	31 December 2019 Number 000
Non-Vested, start of period	152	251
Granted during the period	39	30
Forfeited during the period	(13)	(3)
Vested during the period	(123)	(126)
Transfers out during the period	(3)	-
Non-Vested, end of period	52	152

The weighted average grant-date fair value of stock-settled restricted stock units during the year was as follows:

	31 December 2020 $	31 December 2019 $
Non-Vested, start of period	55.16	55.92
Granted during the period	25.69	25.92
Forfeited during the period	31.31	48.48
Vested during the period	60.32	49.82
Transfers out during the period	43.92	-
Non-Vested, end of period	27.46	55.16

Outstanding Stock-settled Restricted Stock Units

The weighted average remaining life of unvested stock-settled restricted stock units is 0.8 years (2019 - 0.4 years).

As of 31 December 2020, there was $0.7 million (2019 - $0.8 million) of total unrecognised compensation cost related to 52,000 (2019 - 152,000) unvested stock-settled restricted stock units.

15 Share-based payments (continued)

Cash-settled Restricted Stock Phantom Units

Scheme details and movements

Apache Corporation has restricted stock phantom unit (cash-settled) plans for eligible employees. The restricted stock phantom units represent a hypothetical interest in either Apache Corporation's stock or in Altus Midstream's (ALTM) common stock as applicable and once invested, are settled in cash. The cash-settled awards compensation expense is recorded as a liability and remeasured at the end of each reporting period over the vesting term, based on the per share market price of Apache Corporation's common stock and Altus Midstream's common stock.

The movements in the number of cash-settled restricted stock phantom units during the year were as follows:

	31 December 2020 Number 000	31 December 2019 Number 000
Non-Vested, start of period	551	226
Granted during the period	490	420
Forfeited during the period	(68)	(17)
Vested during the period	(218)	(78)
Adjustment for ALTM (1) Reverse stock split	(33)	-
Transfers out during the period	(3)	-
Non-Vested, end of period	719	551

Outstanding Cash-settled Restricted Stock Phantom Units

The outstanding liability for the unvested cash-settled restricted stock phantom units as at 31 December 2020 was approximately $4.9 million (2019 - $7 million).

(1) On June 30, 2020 Altus executed a 1 for 20 reverse stock split of its outstanding common stock. Outstanding cash-settled awards are based on the per-share market price of ALTM stock.

15 Share-based payments (continued)

Performance Program

Stock-settled Conditional Restricted Stock Units

Scheme details and movements

To provide long-term incentives for employees to deliver competitive returns to its stockholders, Apache Corporation has granted conditional restricted stock units to eligible employees. Apache Corporation has a performance program for certain eligible employees with pay-out for 50 percent of the shares based upon measurement of total shareholder return of Apache Corporation common stock as compared to a designated peer group during a three-year performance period. Pay-out for the remaining 50 percent of the shares is based on performance and financial objectives as defined in the plan. The overall results of the objectives are calculated at the end of the award's stated performance period and, if a pay-out is warranted, applied to the target number of restricted stock units awarded. The performance shares will immediately vest 50 percent at the end of the three-year performance period, with the remaining 50 percent vesting at the end of the following year.

15 Share-based payments (continued)

The movements in the number of stock-settled conditional restricted units during the year were as follows:

	31 December 2020 Number 000	31 December 2019 Number 000
Non-Vested, start of period	13	21
Granted during the period	-	5
Forfeited during the period	(1)	-
Vested during the period	(6)	(8)
Expired during the period	(4)	(5)
Transfers out during the period	(1)	-
Non-Vested, end of period	1	13

The weighted average grant-date fair value of stock-settled conditional restricted stock units during the year was as follows:

	31 December 2020 $	31 December 2019 $
Non-Vested, start of period	52.85	50.92
Granted during the period	-	32.67
Forfeited during the period	63.25	-
Vested during the period	40.30	46.34
Expired during the period	70.70	29.78
Transfers out during the period	48.30	-
Non-Vested, end of period	63.25	52.85

Outstanding Stock-settled Conditional Restricted Stock Units

The weighted average remaining life of unvested stock-settled conditional restricted stock units is 0.0 years (2019 - 0.3 years).

Grants from the performance programs outstanding at 31 December 2020 are as described below:

(1) In January 2017, Apache Corporation's Board of Directors approved the 2017 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial stock-settled conditional restricted stock unit awards totalling 11,000 units. A total of 1,000 units were outstanding as of 31 December 2020 (2019 – 8,000). The results for the performance period yielded a payout of 54 percent of target.

As of 31 December 2020, there was $49 (2019 - $58,000) of total unrecognised compensation cost related to 1,000 (2019 – 13,000) unvested stock-settled conditional restricted stock units.

15 Share-based payments (continued)

Fair value of Stock-settled Conditional Restricted Stock Units

The fair value cost of the stock-settled awards was estimated on the date of grant and is being recorded as compensation expense rateably over the vesting terms.

Cash-settled Conditional Restricted Stock Phantom Units

Scheme details and movements

In January 2018, Apache Corporation's Board of Directors approved the 2018 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional restricted stock phantom units, totalling 21,000 units. A total of 13,000 phantom units were outstanding as of December 31, 2020. The results for the performance period yielded a payout of 23 percent of target.

In January 2019, Apache Corporation's Board of Directors approved the 2019 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional restricted stock phantom units totalling 41,000 units. The actual amount of phantom units awarded will be between zero and 200 percent of target. A total of 29,000 phantom units were outstanding as of December 31, 2020, from which a minimum of zero to a maximum of 57,000 phantom units could be awarded.

In January 2020, Apache Corporation's Board of Directors approved the 2020 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional restricted stock phantom units totalling 43,000. The actual amount of phantom units awarded will be between zero and 200 percent of target. A total of 37,000 phantom units were outstanding as of December 31, 2020, from which a minimum of zero to a maximum of 75,000 phantom units could be awarded.

The movements in the number of cash-settled conditional restricted stock phantom units during the year were as follows:

	31 December 2020 Number 000	31 December 2019 Number 000
Non-Vested, start of period	59	19
Granted during the period	43	41
Forfeited during the period	(20)	(1)
Transfers out during the period	(3)	-
Non-Vested, end of period	79	59

Outstanding Cash-settled Conditional Restricted Stock Phantom Units

A total of 79,000 phantom units were outstanding as of 31 December 2020 (2019 – 59,000), from which a minimum of zero and a maximum of 135,000 phantom units could be awarded.

The outstanding liability for the unvested cash-settled conditional restricted stock units as of 31 December 2020 was approximately $0.5 million (2019 - $0.9 million).

15 Share-based payments (continued)

Fair value of Cash-settled Conditional Restricted Stock Phantom Units

The fair value of the cash-settled awards are re-measured at the end of each reporting period over the vesting terms.

Share Incentive Plan

Scheme details

The Apache UK Share Incentive Plan (the Plan) allows employees to build up a stake in the ultimate parent undertaking, Apache Corporation, and to share in its future.

UK employees of Apache North Sea Production Limited are eligible to join the Plan from the commencement of their employment.

If employees decide to join the Plan and buy Partnership Shares, they can contribute from £10 up to £150 each month out of their gross PAYE earnings (up to a maximum of PAYE earnings).

The Trustee will invest employee contributions in Apache Corporation shares. Each month the Trustee will use the whole amount to buy shares including fractions, normally on the first day of the following month. The price that employees pay for the shares will normally be the market value on the day the shares are bought on their behalf. The Partnership Shares that employees buy with their own money are their property from day-one.

In addition to the Partnership Shares that employees buy each month, employees will also receive free Matching Shares. For every Partnership Share employees will be allocated two Matching Shares (including fractions), with no income tax or NICs to pay. Matching Shares cannot normally be sold or transferred from the Plan for a period of three years from the date of allocation. After three years employees can sell or transfer their Matching Shares, but they will normally have to pay income tax under PAYE and NICs if they sell or transfer them within five years of allocation to them.

If employees leave the Apache Corporation group their Matching Shares will cease to be subject to the Plan. Matching Shares allocated to employees within the previous five years will be subject to income tax under PAYE and NICs. The actual cost of the Share Incentive Plan is recognised when Matching Shares are purchased. The cost in 2020 was £2.1 million (2019 - £2.1 million).

16 Related party transactions

As the company was a wholly owned subsidiary of Apache Corporation LDC as at 31 December 2020, it has taken advantage of the exception given by paragraph 8 of the Financial Reporting Standard No 101 which allows exemption from disclosure of related party transactions with other group companies. The company has also taken advantage of the exception given by paragraph 8 of Financial Reporting Standard No 101 which allows exemption from disclosure of compensation for key management personnel.

17 Parent and ultimate parent undertaking

The company is a wholly owned subsidiary of Apache Corporation LDC, a company registered in the Cayman Islands.

The ultimate parent is Apache Corporation which is registered in the United States of America.

The name of the parent undertaking of the group in whose consolidated financial statements the company's financial statements are consolidated is Apache Corporation.

The most senior parent entity producing publicly available financial statements is Apache Corporation. These financial statements are available upon request from One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas - 77056-4400, USA

18 Non adjusting events after the financial period

On 4 January, 2021 Apache Corporation announced that its Board of Directors authorised Apache Corporation to proceed with the implementation of a holding company reorganisation, including creating a new holding company, APA Corporation (APA). Upon completion of the holding company reorganisation, Apache Corporation became a wholly-owned subsidiary of APA. The holding company reorganisation was completed during the first quarter of 2021. In line with these changes, the stock ownership of stock-based compensation plans has also moved to APA.