

Registration number: 7581419

Apache UK Investment Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Apache UK Investment Limited

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Apache UK Investment 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 UK Investment 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 UK Investment Limited holds an investment in Apache Beryl I Limited ("ABIL"), which is focussed on the exploration for and extraction of oil and gas reserves in the UK.

The profit for the year after tax amounted to \$3,779,000 and was primarily the result of dividend income from subsidiary being higher than the intercompany loan interest. The reduction in profit from the previous year relates to a reduction in that dividend income. (2019 profit for the year after tax of \$33,736,000). The directors do not recommend a final 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 company has identified that the principal risk it faces is the impairment of the carrying value of its investment in ABIL. Following an assessment if indicators of impairment were present, the directors identified an indicator of impairment. As a result, the carrying value of the investment was reviewed however the directors concluded that there was no impairment of the investment required in 2020.

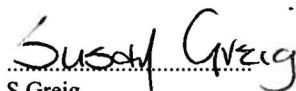
There are also risks in relation to the company's ability to repay its intercompany loan balances and intercompany interest charges. The ability of the company to service its loans is dependent on the trading performances of its investments and their ability to transfer funds to the company. In the event the investments could not provide the necessary funds to service the loans, 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 UK Investment Limited and its 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 company's subsidiary Apache Beryl I Limited. 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.

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


S Greig
Director

Apache UK Investment Limited

Directors' Report for the Year Ended 31 December 2020

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)

Going concern

The financial statements have been prepared under the going concern basis. The Directors believe this basis to be appropriate as another group company, Apache Corporation, has provided the company with an undertaking until 30 September 2022. Apache Corporation will continue to make such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment.

The directors have considered the liquidity and solvency of Apache Corporation and based on this assessment they believe the company will be able to continue in operational existence for the foreseeable future 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.

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 the 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.

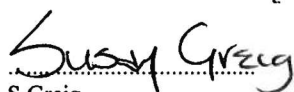
Apache UK Investment Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Environmental report

Apache UK Investment Limited holds an investment in Apache Beryl I Limited (ABIL) and does not have a significant carbon footprint of its own. Therefore, associated disclosures regarding Streamlined Energy and Carbon Reporting have been voluntarily disclosed in ABIL Statutory Accounts.

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

A handwritten signature in black ink, appearing to read "S Greig", written over a dotted line.

S Greig
Director

Apache UK Investment Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the 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.

Apache UK Investment Limited

Independent Auditor's Report to the Members of Apache UK Investment Limited

Opinion

We have audited the financial statements of Apache UK Investment 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 13 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 below. 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 our 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.

Apache UK Investment Limited

Independent Auditor's Report to the Members of Apache UK Investment Limited (continued)

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 our 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 and the 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 5, 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.

Apache UK Investment Limited

Independent Auditor's Report to the Members of Apache UK Investment Limited (continued)

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 health and safety, 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.
- 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.

Our procedures on significant judgements and estimates made in the financial statements included challenging the assumptions made and models used in determining estimates and sought to obtain both contradictory and corroborative evidence to challenge and/or support estimate inputs.

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 UK Investment Limited

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

	Note	2020 \$ 000	2019 \$ 000
Revenue		-	-
Administrative expenses		<u>(21)</u>	<u>(7)</u>
Operating loss		<u>(21)</u>	<u>(7)</u>
Dividend income from subsidiary		14,695	381,088
Impairment of investment	8	-	(320,010)
Finance costs	6	<u>(10,895)</u>	<u>(27,335)</u>
		<u>3,800</u>	<u>33,743</u>
Profit before tax		3,779	33,736
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
Profit for the year		<u>3,779</u>	<u>33,736</u>

The above results were derived from continuing operations.

The notes on pages 13 to 22 form an integral part of these financial statements.

Apache UK Investment Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Profit for the year		<u>3,779</u>	<u>33,736</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>3,779</u>	<u>33,736</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

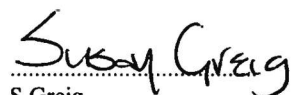
Apache UK Investment Limited

(Registration number: 7581419)

Statement of Financial Position as at 31 December 2020

	Note	2020 \$ 000	2019 \$ 000
Fixed assets			
Investments	8	793,488	793,488
Current assets			
Trade and other receivables	9	12,820	3,572
Cash and cash equivalents		<u>12</u>	<u>12</u>
		12,832	3,584
Creditors: Amounts falling due within one year			
Trade and other payables	10	<u>(598,336)</u>	<u>(592,867)</u>
Net current liabilities		<u>(585,504)</u>	<u>(589,283)</u>
Net assets		<u>207,984</u>	<u>204,205</u>
Capital and reserves			
Called up share capital	11	349,070	349,070
Retained earnings		<u>(141,086)</u>	<u>(144,865)</u>
Total shareholders' funds		<u>207,984</u>	<u>204,205</u>

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



S Greig
Director

The notes on pages 13 to 22 form an integral part of these financial statements.

Apache UK Investment Limited

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

	Share capital \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2020	349,070	(144,865)	204,205
Profit for the year	-	3,779	3,779
Other comprehensive income	-	-	-
Total comprehensive income	-	3,779	3,779
At 31 December 2020	349,070	(141,086)	207,984

	Share capital \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2019	349,070	(178,601)	170,469
Profit for the year	-	33,736	33,736
Other comprehensive income	-	-	-
Total comprehensive loss	-	33,736	33,736
At 31 December 2019	349,070	(144,865)	204,205

The notes on pages 13 to 22 form an integral part of these financial statements.
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Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

Apache UK Investment 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.

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

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

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 12 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 US Dollars, the functional currency of the company, and all values are rounded to the nearest thousand except where otherwise indicated.

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 requirements of paragraphs 10(d), 10(f), 16, 38A, 38B-38D, 111 and 134-136 of IAS 1;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- (e) the requirements 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;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of IFRS 7, Financial Instruments; Disclosure; and
- (h) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared under the going concern basis. The Directors believe this basis to be appropriate as another group company, Apache Corporation, has provided the company with an undertaking until 30 September 2022. Apache Corporation will continue to make such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment.

The directors have considered the liquidity and solvency of Apache Corporation and based on this assessment they believe the company will be able to continue in operational existence for the foreseeable future 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.

Basis of consolidation

As a wholly owned subsidiary of APA Corporation, the company has taken exemption from the requirement to prepare consolidated financial statements in accordance with Companies Act 2006 section 401.

Finance costs policy

Interest cost is recognised in the Statement of Profit or Loss as it accrues using the effective interest rate method.

Interest cost includes interest payable on intercompany loans.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Tax

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.

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.

Investments

Investments in subsidiaries are held at cost less accumulated impairment losses. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value is also reviewed where there has been a previous impairment and changes in circumstances indicate the recoverable amount may be higher than the carrying value.

Dividends are recognised in income when the company's right to receive payment has been established.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits.

Trade receivables

Trade receivables are amounts due from another group company for goods provided or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. The accounting policy on Financial Instruments contains details of impairment of receivables.

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.

Trade payables

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

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Profit or Loss over the period of the relevant borrowing.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The notes on pages 13 to 22 form an integral part of these financial statements.

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

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.

Classification and measurement

The company's financial assets consist of 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 company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Impairment of investments in subsidiaries

Impairment exists when the carrying value of an asset exceeds its recoverable amount. The recoverable amount requires the use of estimates and assumptions such as long term oil prices, discount rates, operating costs, future capital requirements and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amounts of assets.

The notes on pages 13 to 22 form an integral part of these financial statements.

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Auditors' remuneration

	2020 \$ 000	2019 \$ 000
Audit of the financial statements	<u>12</u>	<u>6</u>

5 Directors' remuneration

None of the directors received any fees or remuneration for services as directors of the company during the financial year.

All directors' contracts of employment are held with another group company. The directors also hold office in other group undertakings. Emoluments paid to directors by other group companies are disclosed within their financial statements.

There were no employees other than the directors.

6 Finance costs

	2020 \$ 000	2019 \$ 000
Interest on intercompany loans	<u>10,895</u>	<u>27,335</u>

The notes on pages 13 to 22 form an integral part of these financial statements.

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Tax on profit/(loss) on ordinary activities

Tax charged/(credited) in the statement of profit or loss

	2020 \$ 000	2019 \$ 000
Current taxation		
UK corporation tax	-	-
	-	-

The tax for the year is the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:

	2020 \$ 000	2019 \$ 000
Profit before tax	3,779	33,736
Corporation tax at standard rate	718	6,410
Non-deductible income and expenditure	-	60,802
Dividends from UK companies	(2,792)	(72,407)
Amounts group relieved for nil consideration	2,074	5,195
Total tax charge/(credit)	-	-

8 Investments

Subsidiaries	\$ 000
Cost	
At 1 January 2019 and 31 December 2020	1,247,598
Provision for impairment of investment	
At 1 January 2020	454,110
Charge for year	-
At 31 December 2020	454,110
Carrying amount	
At 31 December 2020	793,488
At 31 December 2019	793,488

The notes on pages 13 to 22 form an integral part of these financial statements.

Apache UK Investment Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

8 Investments (continued)

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Principal place of business and country of incorporation	Proportion of ownership interest and voting rights held	
			2020	2019
Apache Beryl I Limited	Direct sale of crude oil & gas	United Kingdom Cayman Islands	100%	100%

The registered office of ABIL is Paget-Brown Trust Company Ltd, Boundary Hall, PO Box 1111, Cricket Square, George Town, Grand Cayman, Cayman Islands, KY1 1102.

Impairment review

A review is carried out at each reporting date for any indication that the carrying value of the company's investment in ABIL may be impaired. If there are indicators of impairment, the company compares the carrying value of its investment in ABIL with the recoverable amount of ABIL.

The recoverable amount is determined based on ABIL's net assets as at the reporting date and any excess of projected future cashflows from its operations above the net book value of its oil and gas assets as at the reporting date.

The key assumptions used in determining the projected future cashflows are:

- Reserve and resource volumes form the basis of the production profiles within the discounted cash flow model. The data generated for each cash generating unit takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.
- Commodity prices are in line with the company's long term view.
- Sterling denominated revenues and costs are translated using foreign exchange rates consistent with a long-term planning view.
- The discount rate reflects the estimated weighted average cost of capital rate. In 2020 an 8.8% pre-tax real discount rate was applied.
- Tax rates are consistent with rates and laws that have been enacted or substantially enacted by the reporting date.

Following a review of the carrying value of the investment in ABIL, the directors have concluded that no impairment is required for 2020.

At 31 December 2020, the recoverable amount of ABIL was the same as the carrying value of the company's investment in ABIL and as a result no impairment has been made.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Trade and other receivables

	2020	2019
	\$ 000	\$ 000
Receivables from group undertakings	<u>12,820</u>	<u>3,572</u>

The carrying value of the trade and other receivables classified as financial instrument loans and receivables equates to the fair value of those assets.

10 Creditors: Amounts falling due within one year

	31 December 2020	31 December 2019
	\$ 000	\$ 000
Amounts due to group undertakings	<u>598,336</u>	<u>592,867</u>

The carrying value of the trade and other payables classified as financial instruments approximates the fair value of those liabilities.

Included in Amounts due to group undertakings are intercompany loans of \$585,963,523 currently bearing interest at rates varying from 0.15% to 3.15% with the rate depending on the terms of the loan agreement in place with each of the group companies. These loans mature between 2021-2025 but are repayable on demand.

11 Called up share capital

Allotted, called up and fully paid shares

	2020		2019	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary shares of £1 each	<u>223,208</u>	<u>349,070</u>	<u>223,208</u>	<u>349,070</u>

12 Parent and ultimate parent undertaking

The company is a wholly owned subsidiary of Apache UK 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.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Non adjusting events after the financial period

On January 4, 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.