

Registration number: 7720972

# Apache North Sea Production Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

# **Apache North Sea Production Limited**

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# **Apache North Sea Production Limited**

## **Company Information**

<b>Directors</b>	J W Sauer
	S Greig
	T R Custer
	R M Littlewood
<b>Company secretary</b>	Cargil Management Services Limited
<b>Registered office</b>	27/28 Eastcastle Street
	London
	W1W 8DH
	United Kingdom
<b>Bankers</b>	Citibank N.A.
	Canada Square
	Canary Wharf
	London
<b>Auditors</b>	E14 5LB
	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 2021**

The directors present their report for the year ended 31 December 2021.

#### **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 2021, the company increased Revenue by 7% to £106,347,000 (2020 £99,572,000) due to an increase in stock based compensation costs associated with the increase in APA Corporation stock price, which impacted personnel costs and associated mark-up. Operating Profit has increased by £871,000 and Profit After Tax in the year was £6,918,000 (2020 - profit of £7,900,000).

On 1 March, 2021, Apache Corporation completed a holding company reorganisation (the Holding Company Reorganisation), pursuant to which, Apache Corporation became a direct, wholly owned subsidiary of APA Corporation and APA Corporation became the ultimate parent company of Apache North Sea Production Limited. The Holding Company Reorganisation modernised Apache Corporation's operating and legal structure to more closely align with its growing international presence, making it more consistent with other companies that have subsidiaries operating around the globe.

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.

The global economy and the energy industry have been deeply impacted by the effects of the conflict in Ukraine and coronavirus disease 2019 (COVID-19) pandemic and related governmental actions. Uncertainties in the global supply chain, commodity prices, and financial markets, including the impact of inflation and rising interest rates, continue to impact oil supply and demand which affect the group companies Apache provides services to.

#### **Future developments**

During 2021, and following an in-depth benchmarking study, Apache initiated a substantial transformation project based around the re-design of its North Sea operating model with the intention to better position itself in the long term as a leading late life operator in the UKCS. The foundation of the new operating model design is an improved and digitally enabled approach to integrated activity planning, upon which efforts to optimise the organisational design, maintenance strategies, how performance is managed and the way work is executed in the offshore environment will be layered. Finalising the design was achieved in Q4 2021 and the implementation of these changes will take place in 2022.



## **Apache North Sea Production Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **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

Since the onset of the COVID-19 pandemic, Apache has put employee health and well-being front and centre, and it has adjusted its approach to how work gets done accordingly. Apache's guiding principles for decisions and actions throughout the pandemic have been safety, flexibility, and empathy. Using specific tracking systems, this oversight process provided for comprehensive reporting and analysis to leadership to enable effective decision making.

- Engagement with Workforce

As a company, Apache believes that its people are one of its most important investments and greatest asset. Successful execution of the company's business strategies depends on its ability to attract, develop, incentivise, and retain diverse, talented, qualified, and highly skilled employees at all levels of the organisation. As such, the company continues to focus on health and safety, diversity and inclusion, total rewards, and community partnerships to ensure that being a part of the Apache family is a positive experience for all.

- Health and Safety

Apache's priority is the health and safety of its workforce. The company's environmental, health, and safety and operations functions partner to consistently reinforce its core values, standards, and operating practices, as well as foster a safety culture that empowers the company's workforce to stop work if conditions or behaviours are deemed unsafe. Apache strives to be incident-free across its global operations every day, with the help of visible and engaged leadership, by setting clear expectations and making safety personal for all employees and contractors.

## **Apache North Sea Production Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **• Diversity and Inclusion**

Apache recognises diversity and inclusion (D&I) as vital to its long-term success. In 2021, the company established a dedicated D&I function to build on its commitment to D&I across the organisation. Since that time, Apache's focus has been on providing unconscious bias training for its global workforce, expanding employee resource groups (ERGs) in terms of quantity and geography, and increasing awareness about the importance of D&I and each employee's role in ensuring that Apache has a culture where all employees are valued and can thrive with a sense of belonging, not just as employees, but as people.

In 2021, Apache strengthened its commitment through the following key accomplishments:

- Launching annual mandatory D&I training for all of the company's people leaders, and assigning it as recommended training for all employees;
- Refreshing the Global D&I Council to obtain employee perspectives and feedback on the Apache's D&I initiatives;
- Increasing employee engagement by promoting the establishment of Employee Resource Groups;
- Launching global employee engagement campaigns to celebrate the diversity of the company's employees;
- Introducing a global mentorship programme to promote access to leadership and career development; and
- Conducting annual pay equity analysis;

#### **• Total Rewards**

Year after year, Apache has steadily upgraded its total rewards compensation programmes with the objective of retaining, rewarding, and attracting the best talent by providing total rewards that are competitive. 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.

## **Apache North Sea Production Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **• Training and Development**

During 2021, APA Corporation launched an updated approach to global performance management focusing on development, which included a detailed framework for core, leadership and technical competencies. This approach emphasises ongoing performance conversations between managers and employees with a focus on mitigating bias in performance conversations. In addition, employees create a personal development plan and Apache provides additional resources to support employees in their personal and professional development, including:

- Utilisation of multiple, third-party online training offerings;
- Leadership and personal development coaching opportunities through a collaboration with a leading human resources consulting company;
- Ongoing education for people leaders around Apache's leadership competencies and behaviours;
- Annual compliance, antitrust, bribery, corruption, and code of business conduct and ethics training required for all employees and leaders
- Cybersecurity training focusing on keeping the company and employees' personal information secure; and
- Companywide Mentorship Programme - launched in April 2021, this programme provides mentors an opportunity to guide their mentees in developing goals, core leadership skills and accessing networking opportunities.

#### **• 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. As part of the Holding Company Reorganisation the code was revised and adopted in March 2021 and can be accessed on the Governance page of APA Corporation's website [www.APACorp.com](http://www.APACorp.com)

## Apache North Sea Production Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### • Engagement with suppliers

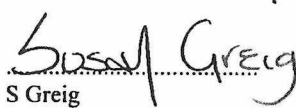
The Company transacts with many approved suppliers, covering service companies working directly with Apache and personal service companies contracted through Apache's approved employment agencies. All have agreed contract payment terms as reported in the bi-annual Payment Performance Practices review.

Apache develops strong relationships with local suppliers and contractors. Although many products and services for the oil and gas industry are commonly provided by large multinational suppliers Apache also seeks to source supplies and services locally.

Engagement can be illustrated as follows;

- Contractor vetting process – Comprehensive contractor management process addresses the full lifecycle of vendor engagement from selection and evaluation through to monitoring and post-contract review. This includes contractor engagement meetings and ongoing contractor assessments
- SEQual – Apache in partnership with other North Sea Operators developed a new supplier assessment scheme for the Oil & Gas Industry
- Brexit/Pandemic – To ensure a smooth transition post Brexit and cater for the challenges from the COVID pandemic, Apache worked closely with its key suppliers and actively participated in industry led initiatives to limit or mitigate risks to our business
- Industry Workgroups – Apache continues to play an active part in many O&G UK and OGA initiatives, Brexit, Continuous Improvement Network, Legal issues forum, Aviation Safety & Compliance Group
- Contractor Management Program – In June 2021 a new CMP program commenced with Guidant Global utilising the SAP/Fieldglass Vendor Management System (VMS) to manage, standardise, and streamline our contract labour processes for temporary or project-based workers. The VMS covers the US and UK contingent labour requirements enhancing the process for both contractors and labour providers
- Local community outreach and philanthropy

Approved by the Board on 22 September 2022 and signed on its behalf by:

  
S Greig  
Director

## **Apache North Sea Production Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

#### **Directors' of the company**

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

J W Sauer

S Greig

R J J Chelte (resigned 17 May 2021)

T R Custer

K H Neupert (resigned 27 October 2021)

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 2023. 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. A letter of support has been provided by Apache Corporation covering the period to 30 September 2023.

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 2021.

## **Apache North Sea Production Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **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**

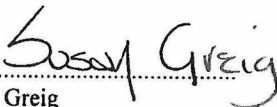
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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 covering the Streamlined Energy and Carbon Reporting requirements are included in ANSL and ABIL individual Statutory Accounts.

Approved by the Board on 22 September 2022 and signed on its behalf by:

  
.....  
S Greig  
Director

## **Apache North Sea Production Limited**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 net income or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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 it is inappropriate to presume that the Company will continue in business.

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 North Sea Production Limited**

### **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 2021, which comprise the Statement of Profit or Loss Account, 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 company's affairs as at 31 December 2021 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.



## **Apache North Sea Production Limited**

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

#### **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 2023.

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 this gives rise to 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.

## **Apache North Sea Production Limited**

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

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities (set out on page 9), 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 <https://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: 22/09/22.....

# Apache North Sea Production Limited

## Statement of Profit or Loss for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	106,347	99,572
Cost of sales		<u>(91,233)</u>	<u>(85,324)</u>
Gross profit		15,114	14,248
Administrative expenses		<u>(56)</u>	<u>(61)</u>
Operating profit	5	<u>15,058</u>	<u>14,187</u>
Finance income	9	4	6
Finance costs	10	<u>(1)</u>	<u>-</u>
		<u>3</u>	<u>6</u>
Profit before tax		15,061	14,193
Tax charge on profit on ordinary activities	11	<u>(8,143)</u>	<u>(6,293)</u>
Profit for the year		<u><u>6,918</u></u>	<u><u>7,900</u></u>

The above results were derived from continuing operations.

The notes on pages 18 to 38 form an integral part of these financial statements.

**Apache North Sea Production Limited**

**Statement of Comprehensive Income for the Year Ended 31 December 2021**

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the year	<u>6,918</u>	<u>7,900</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>6,918</u></u>	<u><u>7,900</u></u>

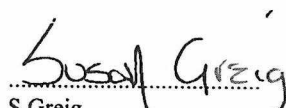
# Apache North Sea Production Limited

(Registration number: 7720972)

## Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
<b>Non-current assets</b>			
Deferred tax	11	5,501	2,560
<b>Current assets</b>			
Trade and other receivables	12	101,919	97,049
Cash and cash equivalents		<u>7,865</u>	<u>2,007</u>
		109,784	99,056
<b>Creditors: Amounts falling due within one year</b>	13	<u>(47,003)</u>	<u>(40,252)</u>
<b>Net current assets</b>		<u>62,781</u>	<u>58,804</u>
<b>Net assets</b>		<u>68,282</u>	<u>61,364</u>
<b>Capital and reserves</b>			
Retained earnings		<u>68,282</u>	<u>61,364</u>
<b>Total shareholders' funds</b>		<u>68,282</u>	<u>61,364</u>

Approved by the Board on 22 September 2022 and signed on its behalf by:

  
 S Greig  
 Director

# Apache North Sea Production Limited

## Statement of Changes in Equity for the Year Ended 31 December 2021

	Retained earnings £ 000	Total £ 000
At 1 January 2021	61,364	61,364
Profit for the year	6,918	6,918
Other comprehensive income	-	-
Total comprehensive income	6,918	6,918
At 31 December 2021	68,282	68,282

	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

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **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 22 September 2022.

#### **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 2021. 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.

- IFRS 4 Insurance Contracts - Deferral of IFRS 9
- IFRS 4 Insurance Contracts - Interest Rate Benchmark Reform Phase 2
- IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform Phase 2
- IFRS 9 Financial Instruments - Interest Rate Benchmark Reform Phase 2
- IAS 39 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform Phase 2

The notes on pages 18 to 38 form an integral part of these financial statements.



## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (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 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 2021 is £1:\$1.3533 (2020 £1:\$1.3671).

##### **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 paragraph 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 IFRS 2 Share Based Payment; and
- (i) the requirements of IFRS 7, Financial Instruments: Disclosure.

The notes on pages 18 to 38 form an integral part of these financial statements.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **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 2023. 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. A letter of support has been provided by Apache Corporation covering the period to 30 September 2023.

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.

##### **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.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **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).

The notes on pages 18 to 38 form an integral part of these financial statements.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **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.

The notes on pages 18 to 38 form an integral part of these financial statements.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Pensions**

The company operates a defined contribution pension scheme, the Apache Retirement Choices Pension Plan. Contributions are charged to the Statement of Profit or Loss as they become payable in accordance with the rules of the scheme. In relation to the retirement choices plan, the company contributed £5,582,000 during the year to 31 December 2021 (2020 - £5,458,000).

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 APA 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 APA 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 APA Corporation in respect of share-based payment, is recognised in equity as a capital contribution. To date, charges have equated to amounts recharged by APA Corporation and consequently there have been no capital contributions.

The APA 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 APA 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.

###### **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.

The notes on pages 18 to 38 form an integral part of these financial statements.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **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.

The notes on pages 18 to 38 form an integral part of these financial statements.

## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 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:

	2021 £ 000	2020 £ 000
Rendering of services	<u>106,347</u>	<u>99,572</u>

#### 5 Operating profit

Arrived at after charging

	2021 £ 000	2020 £ 000
Foreign exchange losses	<u>124</u>	<u>400</u>

#### 6 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>30</u>	<u>28</u>
<b>Other fees to auditors</b>		
All other tax advisory services	28	29
All other assurance services	<u>-</u>	<u>9</u>
	<u>28</u>	<u>38</u>

#### 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.

# Apache North Sea Production Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 8 Staff costs

The aggregate payroll costs were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	68,296	67,437
Social security costs	6,169	7,365
Pension costs	7,487	7,720
Severance costs	455	2,181
Share-based payment expenses	14,253	4,768
	<u>96,660</u>	<u>89,471</u>

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:

	2021 No.	2020 No.
Onshore	189	193
Offshore	420	430
	<u>609</u>	<u>623</u>

### 9 Finance income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	4	1
Other finance income	-	5
	<u>4</u>	<u>6</u>

### 10 Finance costs

	2021 £ 000	2020 £ 000
Other finance costs	1	-
	<u>1</u>	<u>-</u>



## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 11 Tax on profit on ordinary activities

Tax charged in the statement of profit or loss

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax charge on profit for the year	11,084	5,122
UK corporation tax charge in respect of previous years	-	(888)
	<u>11,084</u>	<u>4,234</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(2,941)	1,756
Attributable to true-up of prior year balances	-	303
	<u>(2,941)</u>	<u>2,059</u>
<b>Total deferred taxation</b>	<u>(2,941)</u>	<u>2,059</u>
<b>Tax expense in the statement of profit or loss</b>	<u><u>8,143</u></u>	<u><u>6,293</u></u>

Upstream oil and gas production activities are taxed at a UK corporation tax rate of 30% (2020: 30%) plus a supplementary charge of 10% (2020: 10%), giving an overall effective rate of 40% (2020: 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% (2020 - 40%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	<u>15,061</u>	<u>14,193</u>
Corporation tax at standard rate	6,024	5,677
Income taxed at different rates	557	139
Group relief surrendered for no compensation	504	125
True-up of prior year amounts	-	(585)
Other	<u>1,058</u>	<u>937</u>
<b>Total tax charge</b>	<u><u>8,143</u></u>	<u><u>6,293</u></u>

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.

The notes on pages 18 to 38 form an integral part of these financial statements.

# Apache North Sea Production Limited

## Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

### 11 Tax on profit on ordinary activities (continued)

#### Deferred tax asset

The deferred tax asset is made up as follows:

	2021 £ 000	2020 £ 000
Other timing differences	5,501	2,560
	<u>5,501</u>	<u>2,560</u>
<b>Deferred tax provision</b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
Opening balance	2,560	4,619
Charged during the year	2,941	(2,059)
Closing balance	<u>5,501</u>	<u>2,560</u>

### 12 Trade and other receivables

	31 December 2021 £ 000	31 December 2020 £ 000
Receivables from related parties	99,831	94,158
Other receivables	2,088	2,891
	<u>101,919</u>	<u>97,049</u>

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

The notes on pages 18 to 38 form an integral part of these financial statements.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **13 Creditors: Amounts falling due within one year**

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Trade and other payables	22,825	15,510
Accrued expenses	15,884	11,895
Amounts due to related parties	2,286	10,152
Social security and other taxes	3,251	2,695
Income tax liability	2,757	-
	<u>47,003</u>	<u>40,252</u>

## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 14 Called up share capital

##### Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### 15 Share-based payments

##### Stock Compensation Plans

##### General overview

As of 31 December 2021, the ultimate parent undertaking, APA 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, APA 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 APA 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 2021 was £14,253,000 (2020 - £4,768,000). 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.

The notes on pages 18 to 38 form an integral part of these financial statements.

## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 15 Share-based payments (continued)

##### Stock Options

##### Scheme details and movements

As of 31 December 2021, employees held options to purchase shares of APA 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 APA 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 APA 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 APA 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 2021 Number 000	31 December 2020 Number 000
Outstanding, start of period	103	146
Forfeited during the period	-	(2)
Expired during the period	(32)	(38)
Transfers out during the period	-	(3)
Outstanding, end of period	<u>71</u>	<u>103</u>

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

	31 December 2021 \$	31 December 2020 \$
Outstanding, start of period	82.36	84.30
Forfeited during the period	-	47.79
Expired during the period	106.42	94.25
Transfers out during the period	-	54.47
Outstanding, end of period	<u>71.69</u>	<u>82.36</u>

##### 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 1.9 years (2020 - 2.5 years) and no intrinsic value (2020 - \$nil)
- (2) NIL options expected to vest (2020 - 4,000) had a weighted average remaining contractual life of NIL years (2020 - 7.0 years) and no intrinsic value (2020 - \$nil)
- (3) 71,000 options exercisable (2020 - 99,000) had a weighted average remaining contractual life of 1.9 years (2020 - 2.3 years) and no intrinsic value (2020 - \$nil)

The notes on pages 18 to 38 form an integral part of these financial statements.

## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 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 - (2020 - \$0.00).

##### Stock-settled Restricted Stock Units

##### Scheme details and movements

APA Corporation has restricted stock unit plans for eligible employees. The programs created under the Omnibus Plans have been approved by APA 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 2021 Number 000	31 December 2020 Number 000
Non-Vested, start of period	52	152
Granted during the period	57	39
Forfeited during the period	(16)	(13)
Vested during the period	(22)	(123)
Transfers out during the period	-	(3)
Non-Vested, end of period	<u>71</u>	<u>52</u>

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

	31 December 2021 \$	31 December 2020 \$
Non-Vested, start of period	27.46	55.16
Granted during the period	16.18	25.69
Forfeited during the period	19.45	31.31
Vested during the period	29.31	60.32
Transfers out during the period	-	43.92
Non-Vested, end of period	<u>19.62</u>	<u>27.46</u>

##### Outstanding Stock-settled Restricted Stock Units

The weighted average remaining life of unvested stock-settled restricted stock units is 0.7 years (2020 - 0.8 years).

As of 31 December 2021, there was \$0.6 million (2020 - \$0.7 million) of total unrecognised compensation cost related to 71,000 (2020 - 52,000) unvested stock-settled restricted stock units.

The notes on pages 18 to 38 form an integral part of these financial statements.

## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 15 Share-based payments (continued)

##### Cash-settled Restricted Stock Phantom Units

##### Scheme details and movements

APA Corporation has restricted stock phantom unit (cash-settled) plans for eligible employees. The restricted stock phantom units represent a hypothetical interest in either APA Corporation's stock or in Altus Midstream's (ALTM) common stock as applicable and once vested, 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 APA 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 2021 Number 000	31 December 2020 Number 000
Non-Vested, start of period	719	551
Granted during the period	778	490
Forfeited during the period	(45)	(68)
Vested during the period	(349)	(218)
Adjustment for ALTM (1) Reverse stock split	-	(33)
Transfers out during the period	-	(3)
Non-Vested, end of period	<u>1,103</u>	<u>719</u>

##### Outstanding Cash-settled Restricted Stock Phantom Units

The outstanding liability for the unvested cash-settled restricted stock phantom units as at 31 December 2021 was approximately \$12.9 million (2020 - \$4.9 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.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **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, APA Corporation has granted conditional restricted stock units to eligible employees. APA 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 APA 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.



## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 15 Share-based payments (continued)

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

	31 December 2021 Number 000	31 December 2020 Number 000
Non-Vested, start of period	1	13
Forfeited during the period	-	(1)
Vested during the period	(1)	(6)
Expired during the period	-	(4)
Transfers out during the period	-	(1)
Non-Vested, end of period	<u>-</u>	<u>1</u>

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

	31 December 2021 \$	31 December 2020 \$
Non-Vested, start of period	63.25	52.85
Forfeited during the period	-	63.25
Vested during the period	63.25	40.30
Expired during the period	-	70.70
Transfers out during the period	-	48.30
Non-Vested, end of period	<u>-</u>	<u>63.25</u>

#### Outstanding Stock-settled Conditional Restricted Stock Units

The weighted average remaining life of unvested stock-settled conditional restricted stock units is 0.0 years (2020 - 0.0 years).

Grants from the performance programs outstanding at 31 December 2021 are as described below:

(1) In January 2017, APA 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 NIL units were outstanding as of 31 December 2021 (2020 - 1,000). The results for the performance period yielded a payout of 54 percent of target.

As of 31 December 2021, there was NIL (2020 - \$49) of total unrecognised compensation cost related to NIL (2020 - 1,000) unvested stock-settled conditional restricted stock units.

The notes on pages 18 to 38 form an integral part of these financial statements.

## Apache North Sea Production Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 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, APA 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 3,000 phantom units were outstanding as of December 31, 2021. The results for the performance period yielded a payout of 23 percent of target.

In January 2019, APA 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. A total of 23,000 phantom units were outstanding as of December 31, 2021. The result for the performance period yielded a payout of 100 percent of target.

In January 2020, APA 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 31,000 phantom units were outstanding as of December 31, 2021, from which a minimum of zero to a maximum of 62,000 phantom units could be awarded.

In January 2021, APA Corporation's Board of Directors approved the 2021 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional restricted stock phantom units totalling 32,000. The actual amount of phantom units awarded will be between zero and 200 percent of target. A total of 26,000 phantom units were outstanding as of December 31, 2021, from which a minimum of zero to a maximum of 52,000 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 2021 Number 000	31 December 2020 Number 000
Non-Vested, start of period	79	59
Granted during the period	32	43
Forfeited during the period	(19)	(20)
Vested during the period	(3)	-
Expired during the period	(6)	-
Transfers out during the period	-	(3)
Non-Vested, end of period	<u>83</u>	<u>79</u>

##### Outstanding Cash-settled Conditional Restricted Stock Phantom Units

The notes on pages 18 to 38 form an integral part of these financial statements.

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **15 Share-based payments (continued)**

A total of 83,000 phantom units were outstanding as of 31 December 2021 (2020 – 79,000), from which a minimum of zero and a maximum of 137,000 phantom units could be awarded.

The outstanding liability for the unvested cash-settled conditional restricted stock units as of 31 December 2021 was approximately \$0.8 million (2020 - \$0.5 million).

#### **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, APA 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 APA 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 APA 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 2021 was £2.1 million (2020 - £2.1 million).

## **Apache North Sea Production Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **16 Related party transactions**

As the company was a wholly owned subsidiary of Apache UK Corporation LDC as at 31 December 2021, 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 UK Corporation LDC, a company registered in the Cayman Islands.

The ultimate parent is APA 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 APA Corporation.

The most senior parent entity producing publicly available financial statements is APA 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 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the profits earned from the production of oil and gas in the UK with effect from that date. The EPL enabling legislation, the Energy (Oil and Gas) Profits Levy Act 2022, was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25% on taxable profits in addition to ring fence Corporation Tax of 30% and the Supplementary Charge of 10%.

The EPL tax is a temporary measure and as enacted will cease to apply on 31 December 2025.

The introduction of EPL will have a consequential effect on the company's future tax charge.

The estimated impact of the new tax will be to increase Deferred Tax Asset by £6.4 million.