Registration number: 4614761

Apache North Sea Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Apache North Sea Limited

Contents

Apache North Sea Limited

Company Information

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

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Fair review of the business

Apache Corporation entered the North Sea in 2003 after acquiring an approximate 97 percent working interest in the Forties field. Since acquiring Forties, Apache Corporation has actively invested in the assets and has established a large inventory of drilling prospects through successful exploration programs and the interpretation of 4-D seismic data. Apache Corporation also has a non-operated interest in the Nelson field acquired in 2011.

Apache North Sea Limited ("Apache"), averaged 0.5 rigs in 2022, drilling 2 platform development wells and completing 15 well workovers in the Forties field. Apache averaged production of 6.6 million barrels of oil equivalent generating $672 million of revenue. Production decreased 10% from 2021, due to considerable planned and unplanned downtime during the third quarter of 2022, improving in the fourth quarter of 2022 following completion of maintenance activities.

The results for 2022 reflect an increase in capital costs incurred by 54% compared to the prior year. The increase in capital investment is reflective of the reinstatement of Apache Corporation's capital program, which was reduced early in 2020 to align with anticipated operating cash flows following the collapse of commodity prices stemming from the COVID-19 pandemic. In Q2 2023, Apache Corporation announced the suspension of platform drilling activity in the North Sea due to increasing cost and tax burdens. Going forward, the fiscal and macro environment will be continuously assessed to determine opportunities for growth investments. Apache North Sea will manage its base production and maximise the economic recovery of its oil and gas wells through optimising operational efficiency while remaining committed to safe and environmentally responsible operations, driving cleaner production and meeting regulatory requirements across all assets.

Apache's crude oil production is sold under term, entitlement volume contracts with a market based index price plus a differential to capture the higher market value under this type of arrangement. Crude oil market prices fluctuate in response to many factors that are outside of Apache's control. Average realized crude prices for 2022 were up 42% compared to 2021, a direct result of the rising benchmark oil prices over the past year. The increase in realized prices was primarily driven by the effects of global inflation, the conflict in Ukraine on global commodity prices, and uncertainties around spare capacity and energy security globally. Crude oil prices realized in 2022 averaged $101.77 per barrel.

The decrease in costs in 2022 can be attributed to the absence of any losses incurred for dryhole or inventory write-downs in the year.

On 26 May 2022, the UK Chancellor of the Exchequer announced a new tax (the Energy Profits Levy) on the profits of oil and gas companies operating in the U.K. and the U.K. Continental Shelf, which was substantively enacted on 11 July 2022. Under the new law, an additional levy is assessed at a 25 percent rate and is effective for the period of 26 May 2022, through 31 December 2025. On 17 November 2022, the UK Chancellor of the Exchequer announced in the Autumn Statement 2022 further changes to the Energy Profits Levy, increasing the levy assessed from a 25 percent rate to a 35 percent rate, effective for the period of 1 January 2023, through 31 March 2028. This law was substantively enacted under Finance Act 2023 on 30 November 2022.

Apache North Sea contributed upward reserve revisions of 8.3MMboe net from well performance, rig activity and reactivations in the Forties program, resulting in year end reserves increasing from 54.4 MMboe net to 56.9 MMboe net (2022 production of 5.8 MMboe net). This reserve change and a number of other indicators prompted an assessment of impairment. The results of this assessment concluded that no impairment of assets were required in 2022.

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 2022. There were no changes affecting the company during the year to 31 December 2022.

Impact from the risks related to world events

Early in 2020, impacts of the coronavirus disease 2019 (COVID-19) pandemic and related governmental actions began to exert significant downward pressure on crude oil and natural gas prices. Since that time, commodity prices worldwide have largely rebounded; however, uncertainties in the global supply chain, commodity prices, and financial markets, including the impact of inflation, rising interest rates, and the conflict in Ukraine continue to impact oil supply and demand. Apache Corporation continues to aggressively manage its cost structure regardless of the oil price environment and closely monitors hydrocarbon pricing fundamentals to reallocate capital as part of its ongoing planning process.

Future Development

In 2023, Apache North Sea anticipates a slight production increase, driven by less unplanned downtime. The capital program is anticipated to decrease from 2022 with plans to invest $43M, assuming Brent pricing of approximately $80 per barrel. No further drilling is planned in the three year capital investment program.

The company's key financial and other performance indicators during the year were as follows:

Financial KPIs	**Unit**	**2022**	**2021**
Production Revenue	$million	672	523
Capital expenditure	$million	86	56
Average Crude Oil Price	$	102	72
Average Lease Operating expense *	$/boe	35	32

* Lease Operating Expense (direct operating costs, repair & maintenance and workover costs)

On 31 December, 2022 Apache had 0 employees. All employees were employed through another group company.

Non Financial KPIs

Environment, Health and Safety management	**2022**	**2021**
Discharges to the environment		
- Oil to Sea (tonnes)	169	164
Number of lost time incidents	7	1

	2022	**2021**
Operational Success:		
Annual production (mmboe)	7	7
Reserves increase/(decrease) %	4	(14)

Apache operates an integrated Environmental and Energy Management System (management system). The management system establishes the methodology for managing Apache's environmental and energy performance, ensuring compliance with environmental and energy legislation, fulfilling policy commitments and continuously improving environmental performance. The management system specifies the structure, responsibilities, practices, procedures and resources for meeting these commitments. The management system is certified to the International Standard Organisation (ISO) ISO140001:2015 and ISO50001:2018.

Apache undertook a review of their Emissions Trading Scheme (ETS) accountancy and improvements identified were implemented in 2022. The identification and quantification of all flaring and venting sources were completed in 2022 in accordance to the NSTA's Flaring and Venting Guidance (NSTA, 2021). In addition, in 2023 Apache has joined the Oil and Gas Methane Partnership 2.0 (OGMP 2.0).

The scopes above improve the quantification, monitoring and reporting of GHG emissions and will directly assist with the validation and verification of the GHG emissions and removals as part of the ISO14064. Apache aim to achieve the ISO14064 accreditation for their North Sea assets in 2024.

One of Apache's core values is that we never compromise on safety. Our values are reinforced in our Apache Management System (AMS) which drives safe and compliant operations through operational excellence, engaged leaders and a skilled workforce. Apache North Sea strives to be incident-free every day, by setting clear expectations, making safety personal for all employees and contractors and empowering our workforce to apply stop work authority.

In the North Sea, a new safety observation system, AIM for ZERO was launched in late 2022 aligning us with our US operating areas. This improvement creates a singular, cohesive management system tool to categorize observations, behaviors and risks, and identify emerging trends across our assets and functions. Supporting the culture of a learning organisation to improve overall safety.

Principal risks and uncertainties
Global pandemics have previously, may continue to, and may in the future adversely impact Apache North Sea's business, financial condition, and results of operations, the global economy, and the demand for and prices of oil, natural gas, and NGLs.

In addition, our business activities continue to be subject to risks or uncertainties that impact the ability to maximize economic recovery. The volatility of the price of oil, adverse tax regime and capital constraints translates into further challenges to transform opportunities into economic commercial developments. Other risks and uncertainties include, but are not limited to:

•Ability to sell crude oil may be adversely affected by pipeline capacity constraints and various transportation interruptions
•Uncertainty and economic instability due to the conflict in Ukraine may have a significant effect on operating results
•Harsh operating conditions in the UKCS and high degree of operational risk
•Influence of environmental groups on Governmental policies and decisions related to the Oil & Gas industry including with respect to environmental, social and governance matters
•Governmental regulations and taxes, including legislative, regulatory and policy changes or initiatives to address the impacts of global climate change and greenhouse gas (GHG) emissions
•Financial capability of ultimate Parent Company and ability to access capital. During 2022, APA Corporation's credit rating was affirmed by Moody's as Ba1/Positive and by Standard and Poor's as BB+/Positive. Past ratings downgrades have required, and any future downgrades may require, APA Corporation to post letters of credit or other forms of collateral for certain obligations
•Changes in Tax rules and regulations
•Enhanced focus on ESG (Environmental, Social, and Governance) matters and impact of climate change and energy transition could adversely affect operating results and financial condition
•Cost pressures associated with global inflation
•Sensitivity to currency rate fluctuations
•Cyber-attacks targeting systems and infrastructure used by the oil and gas industry

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.

Apache adopts a code of business conduct and ethics for the directors and employees of the company. Which outlines the company's high standards for anti-discrimination, anti-harassment, workplace safety and health and fair employment practices. Every employee and director receives training on this code of Business Conduct and Ethics at regular intervals and must recertify compliance annually. The code can be accessed on the Governance page of APA Corporation's website www.APAcorp.com

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

Today, the world faces a dual challenge: To meet growing demand for energy and to do so in a cleaner, more sustainable way. Apache believes society can accomplish both and strives to meet those challenges while creating value for all its stakeholders.

Our Core Values

•Safety - we never compromise on safety
•Integrity - we conduct our business with respect, honesty and dignity
•People - we recognise people are the foundation that drives our success
•Stewardship - we have an unwavering commitment to responsible operations
•Ingenuity - we set aggressive goals, question the status quo, and seek top performance through continuous improvement

Section 172 statement (continued)
Apache aims to be a community partner in all areas of operation, focused on protecting the safety and health of employees, communities and the environment while continuously looking for more sustainable ways to operate.

For Apache Corporation, reducing its GHG emissions is a top priority, and it is urgently being addressed. Apache Corporation's current strategy does not contemplate transitioning to an alternative energy producer. As a natural gas and oil exploration and production company, we are confident that even in a net zero future, the world will continue to utilize natural gas and oil. As such, Apache will continue to focus on taking deliberate near and medium-term actions that will generate predictable and meaningful reductions in absolute GHG emissions and GHG intensity from our operated assets.

Apache concentrates its sustainability efforts on three primary pillars that help focus resources and direct efforts toward activities that can deliver the most positive and relevant impact. These pillars Air, Water and Communities & People are the foundation for Apache Corporation's ESG strategy, initiatives and compensation-linked goals.

ESG Management Committee

To better understand external perspectives and concerns, members of APA's Board, executive team and ESG Management Committee regularly engage with a wide range of stakeholders, including shareholders, employees, customers, suppliers, government agencies and regulators, non-governmental organizations, and others on a variety of ESG issues, including GHG emissions, climate change related risks, corporate governance and human capital management.

Climate change is an important issue for Apache and its stakeholders. Apache is committed to reducing its emissions while helping to meet increasing global energy demand in affordable and reliable ways. Working every day to reduce its environmental footprint, ensure the safety of its operations, and partner with local communities to create long-lasting value.

Air

Greenhouse gas (GHG) and methane emissions are important issues for Apache. These emissions represent a change-related risk that could both shape and affect the business over time. Apache is committed to helping address the challenges that climate change presents, by monitoring and reporting emissions, setting goals to reduce emissions across operations, as well as improving operational efficiencies and reducing methane emissions intensity with engineering best management practices.

Greenhouse gases are emitted during the production, processing and transportation of natural gas and oil. Apache is committed to reducing these emissions from its operations and collaborating with others across the value chain to develop better approaches to emission reduction and leak detection.

Apache uses a range of methods to minimize GHG emissions, such as preventive maintenance programs for existing infrastructure and optimising the efficiency of operations.

Reducing emissions from Apache's operations and collaborating with others across the value chain to develop better approaches to emissions reduction and leak detection are key elements of this commitment. We use a range of methods to minimize GHG emissions, by implementing preventive maintenance programs for existing infrastructure, and working to optimize the efficiency of operations and minimize gas venting.

Section 172 statement (continued)
Water

Apache uses best practices to safeguard water quality both onshore and offshore, including proper management of produced water, monitoring of chemicals used and waste disposal, all of which are a core part of Apache's sustainable operating strategy.

In the Forties Field, rig-based drill-cutting treatment and processing facilities are used to significantly reduce the volume of return materials that are shipped back to shore for treatment and disposal. This system reduces emission impacts as well as the risk of safety and spill incidents associated with transport.

Communities & People

Apache Corporation is committed to being socially and environmentally responsible in the communities where it operates. The Community Partnerships group oversees the company's global strategic social investing and community engagement, including the stewardship of key stakeholder relationships.

Apache is focused on being welcomed in our local area, providing jobs for local populations and enabling community input. We maximise our positive impact for the area where we operate, strengthen our relationship with local communities, and we are focused on protecting the safety and health of our employees, local populations and the environment.

Full sustainability report is available on the Sustainability page of APA Corporation's website www.apacorp.com/sustainability.

Engagement with employees
Apache North Sea Limited does not have any employees as these are contracted through Apache North Sea Production Limited which acts as a service company on behalf of Apache North Sea Limited and Apache Beryl I Limited. The engagement of these employees is addressed in the Statutory Accounts of Apache North Sea Production Limited.

Section 172 statement (continued)

Engagement with suppliers, customers and other relationships

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;

•Supplier Code of Conduct ensures all suppliers and contractors meet Apache's expectations related to human rights, supplier diversity, health and safety, labour practices, business integrity, ethics, intellectual property management and the environment
•Supplier Diversity Program – Integral part of sourcing, contracting and procurement processes - Externally reporting Tier 1 spend by Category
•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 NSTA, OEUK and OGA workgroups and initiatives
•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

The need to foster the company's business relationships with customers is delegated by the Directors to a dedicated centralised Marketing Group within Apache Corporation.

The company holds regular Technical Committee and Operating Committee meetings with Joint Venture Partners in order to share information in line with Joint Venture Operating Agreements.

Financial risk management

Cash flow risk, credit risk and liquidity risk

Cash Flow Risk

The key cash flow risks are foreign exchange rates and commodity prices. Crude oil and natural gas price volatility, affect both revenue and direct cost. Fluctuations in commodity prices impact operating cost elements both directly and indirectly. They directly impact costs such as power, fuel and chemicals, which are commodity price based. Commodity prices also affect industry activity and demand, thus indirectly impacting the cost of items such as rig rates, labour, boats, helicopters, materials and supplies. Prices have historically been very volatile because of unpredictable events such as economic growth or retraction, weather, political climate, and global supply and demand. These factors have only been heightened as the implications of the COVID-19 pandemic became more apparent. Apache continually monitors its market risk exposure.

Apache's operations are sensitive to fluctuations in foreign currency exchange rates particularly between the US dollar and the British pound. The vast majority of Apache's revenue is US dollar denominated while most costs are British pound driven. A stronger British pound will drive relative costs up but do not have an equivalent impact on revenues - thus reducing margins.

Credit risk

The principal financial assets are cash, trade receivables and intercompany loans payable to Apache from direct or indirect subsidiaries of Apache Corporation.

Apache is exposed to risk of financial loss from trade, joint venture, joint interest billing, and other receivables. The credit risk is primarily attributable to trade receivables which relate to sales of crude oil and natural gas to a variety of purchasers. As operator, the company pays expenses and bills on behalf of its non-operating partners for their respective shares of costs.

Apache is exposed to credit risk in the event of non-payment by counterparties, a significant portion of which are concentrated in energy-related industries. The creditworthiness of customers and other counterparties is subject to continuing review.

On 29 April 2022, APA Corporation entered into two unsecured syndicated credit agreements for general corporate purposes that replaced and refinanced Apache Corporation's 2018 unsecured syndicated credit agreement (the Former Facility).

One agreement is denominated in US dollars (the USD Agreement) and provides for an unsecured five-year revolving credit facility, with aggregate commitments of US$1.8 billion (including a letter of credit subfacility of up to US$750 million, of which US$150 million currently is committed). APA Corporation may increase commitments up to an aggregate US$2.3 billion by adding new lenders or obtaining the consent of any increasing existing lenders. This facility matures in April 2027, subject to APA Corporation's two, one-year extension options.

The second agreement is denominated in pounds sterling (the GBP Agreement) and provides for an unsecured five-year revolving credit facility, with aggregate commitments of £1.5 billion for loans and letters of credit. This facility matures in April 2027, subject to APA Corporation's two, one-year extension options.

In connection with APA Corporation's entry into the USD Agreement and the GBP Agreement (each, a New Agreement), Apache Corporation terminated US$4.0 billion of commitments under the Former Facility, borrowings then outstanding under the Former Facility were deemed outstanding under the USD Agreement, and letters of credit then outstanding under the Former Facility were deemed outstanding under a New Agreement, depending upon whether denominated in US dollars or pounds sterling. Apache Corporation may borrow under the USD Agreement up to an aggregate principal amount of US$300 million outstanding at any given time. Apache Corporation has guaranteed obligations under each New Agreement effective until the aggregate principal amount of indebtedness under senior notes and debentures outstanding under Apache Corporation's existing indentures is less than US$1.0 billion.

As of 31 December 2022, there were $566 million of borrowings and a $20 million letter of credit outstanding under the USD Agreement, and an aggregate £652 million in letters of credit outstanding under the GBP Agreement. As of 31 December 2021, there were $542 million of borrowings and an aggregate £748 million and $20 million in letters of credit outstanding under the Former Facility. The letters of credit denominated in pounds were issued to support North Sea decommissioning obligations, the terms of which required such support after Standard & Poor's reduced Apache's credit rating from BBB to BB+ on 26 March 2020.

Liquidity risk

Apache has no third party debt. The level of current assets is such that it does not have any reliance on intercompany funding for day-to-day operations.

Approved by the board on 20 September 2023 and signed on its behalf by:

Susan Greig
....
S Greig
Director

Apache North Sea Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

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

T R Custer

B C Rodgers

R M Littlewood

Going concern
The company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 2 to 11. The Strategic Report also considers financial risk management such as cash flow risk, credit risk and liquidity risk on pages 10 and 11.

The financial statements have been prepared under the going concern basis and the directors have reviewed the going concern period to 30 September 2024. The company has considerable proved reserves within the Forties field and in its assessment has taken account of the three year plan for the Forties area. The company is able to demonstrate that it is in the position of being able to fund operating costs out of cash flow generated from its operations for a full range of commodity prices and that it is not reliant on its operating parent undertaking, Apache Corporation, to provide funding in the near term. If Apache North Sea Limited were in a position to require funding, the company may be dependent on the financial support of its parent or other group undertakings. A letter of support has been provided by Apache Corporation to 30 September 2024.

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.

Dividends
The directors do not recommend a dividend.

Political donations
The company made no political donations during the year ended 31 December 2022.

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.

Environmental matters
We have considered the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) when preparing this report. These recommendations encourage businesses to increase disclosure of climate-related information, with an emphasis on financial disclosure. Apache North Sea Limited supports these recommendations and are committed to disclosing the relevant information which can be found below.

Corporate governance
Please refer to page 7 of the Strategic Report for further information on processes adopted to reduce environmental impacts.

Streamlined Energy & Carbon Reporting (SECR) : Emissions and energy consumption

Data Records and Methodology

The EU Emission Trading Scheme (ETS) Monitoring and Reporting Regulation (MRR) has been followed for the data records and carbon dioxide (CO_2) calculation methodology. The calculation methodology for the remaining greenhouse gases is described in the OPRED (Offshore Petroleum Regulator for Environment and Decommissioning) Environmental Emissions Monitoring System (EEMS).

Summary of scope 1 (direct) greenhouse gas emissions for the year ended 31 December 2022:

	2022	2021
Scope 1 : Direct GHG emissions (tCO_2e)	386,168	381,649

Summary of scope 2 (indirect) greenhouse gas emissions for the year ended 31 December 2022:

	2022	2021
Scope 2 : Indirect GHG emissions (tCO_2e)	0	0

Summary of scope 3 (other indirect) greenhouse gas emissions for the year ended 31 December 2022:

	2022	2021
Flaring (GJ)	1	1

Summary of energy consumption for the year ended 31 December 2022:

	2022	2021
Energy Consumption (MWh)	271,536	1,275,642

Intensity ratio

During the year ended 31 December 2022 the intensity ratio (kg CO_2/boe) was 53.20% (2021 - 46.50%).

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

Approved by the board on 20 September 2023 and signed on its behalf by:

Susan Greig
....
S Greig
Director

Apache North Sea Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable United Kingdom 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 UK-adopted international accounting standards ("IFRSs"), 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 profit or loss of the company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors 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 group and company financial position and financial performance;
- in respect of the company Financial Statements, state whether UK-adopted international 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Apache North Sea Limited

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

Opinion
We have audited the financial statements of Apache North Sea Limited (the "company") for the year ended 31 December 2022, 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 27, 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 2022 and of its loss 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 for a period to 30 September 2024.

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.

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 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.

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

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 16, 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 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.

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

• 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 non-compliance 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.

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

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Tom Sanders (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

20 September 2023

Apache North Sea Limited

Statement of Profit or Loss for the Year Ended 31 December 2022

	Note	2022 $ 000	2021 $ 000
Revenue	4	672,108	522,754
Cost of sales		(416,635)	(437,872)
Gross profit		**255,473**	**84,882**
Administrative expenses		(28,371)	(25,655)
Operating profit	**5**	**227,102**	**59,227**
Finance income	9	49,448	13,195
Finance costs	10	(87,315)	(77,582)
		(37,867)	(64,387)
Profit/(loss) on ordinary activities before tax		**189,235**	**(5,160)**
Tax charge on profit/(loss) on ordinary activities	11	(283,528)	(2,616)
Loss for the year		**(94,293)**	**(7,776)**

The above results were derived from continuing operations.

Apache North Sea Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 $ 000	2021 $ 000
Loss for the year		(94,293)	(7,776)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	22	(6,653)	7,530
Total comprehensive loss for the year		**(100,946)**	**(246)**

The notes on pages 24 to 57 form an integral part of these financial statements.

Apache North Sea Limited

(Registration number: 4614761)
Statement of Financial Position as at 31 December 2022

	Note	2022 $ 000	2021 $ 000
Non-current assets			
Intangible assets	12	3	3
Property, plant and equipment	14	828,522	973,997
Retirement benefit obligations	22	17,664	25,748
Right of use assets	13	58,114	52,430
Receivables from related parties	17	554,550	-
		1,458,853	1,052,178
Current assets			
Inventory	16	87,455	64,621
Trade and other receivables	17	1,821,342	1,635,313
Cash and cash equivalents		852	176
		1,909,649	1,700,110
Creditors: Amounts falling due within one year			
Trade and other payables	18	(1,645,721)	(1,053,348)
Current portion of long term lease liabilities	21	(32,808)	(27,583)
Creditors: Amounts falling due within one year		(1,678,529)	(1,080,931)
Net current assets		231,120	619,179
Total assets less current liabilities		1,689,973	1,671,357
Provisions	19	(627,643)	(728,494)
Deferred tax liabilities	11	(297,104)	(120,951)
Long term lease liabilities	21	(18,720)	(24,460)
Non-current liabilities		(943,467)	(873,905)
Net assets		746,506	797,452
Capital and reserves			
Called up share capital	20	231,918	181,918
Share premium reserve		34,221	34,221
Retained earnings		480,367	581,313
Total shareholders' funds		746,506	797,452

Approved by the board on 20 September 2023 and signed on its behalf by:

Susan Greig
....
S Greig
Director

The notes on pages 24 to 57 form an integral part of these financial statements.

Apache North Sea Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital $ 000	Share premium $ 000	Retained earnings $ 000	Total $ 000
At 1 January 2022	181,918	34,221	581,313	797,452
Loss for the year	-	-	(94,293)	(94,293)
Other comprehensive income	-	-	(6,653)	(6,653)
Total comprehensive income	-	-	(100,946)	(100,946)
Increase in Share Capital	50,000	-	-	50,000
At 31 December 2022	**231,918**	**34,221**	**480,367**	**746,506**

	Share capital $ 000	Share premium $ 000	Retained earnings $ 000	Total $ 000
At 1 January 2021	181,918	34,221	581,559	797,698
Loss for the year	-	-	(7,776)	(7,776)
Other comprehensive income	-	-	7,530	7,530
Total comprehensive loss	-	-	(246)	(246)
At 31 December 2021	**181,918**	**34,221**	**581,313**	**797,452**

The notes on pages 24 to 57 form an integral part of these financial statements.

1 General information

Apache North Sea 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 appraisal, development and production of crude oil and natural gas in the North Sea.

These financial statements were authorised for issue by the board on 20 September 2023.

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 2022. 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 3 Business Combinations - Reference to the Conceptual Framework
- IFRS 9 Financial Instruments - Annual Improvements to IFRSs 2018-2020 Cycle; Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- IAS 37 Provisions, Contingent Liabilities & Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

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 26 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 2022 is £1:$1.2064 (2021 - £1:$1.3533)

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:
(i) paragraph 79(a)(iv) of IAS 1;
(ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(iii) paragraph 118(e) of IAS 38 Intangible Assets;
(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 paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payments;
(h) the requirements of IFRS 7, Financial Instruments; Disclosure; and
(i) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

2 Accounting policies (continued)

Going concern
The company's business activities, together with the factors likely to affect its future development and performance, are set out in the Strategic Report on pages 2 to 11. The Strategic Report also considers financial risk management such as cash flow risk, credit risk and liquidity risk on page 10.

The financial statements have been prepared under the going concern basis and the directors have reviewed the going concern period to 30 September 2024. The company has considerable proved reserves within the Forties field and in its assessment has taken account of the three year plan for the Forties area. The company is able to demonstrate that it is in the position of being able to fund future development and operating costs out of cash flow generated from its operations for a full range of commodity prices and that it is not reliant on its operating parent undertaking, Apache Corporation, to provide funding in the near term. If Apache North Sea Limited were in a position to require funding, the company may be dependent on the financial support of its parent or other group undertakings. A letter of support has been provided by Apache Corporation to 30 September 2024.

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.

Changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

2 Accounting policies (continued)

Revenue recognition

Recognition

The company earns revenue from the sale of crude oil and natural gas products from interests in the UK.

Sales of crude oil, natural gas and natural gas liquids ("NGLs") are included in revenue when production is sold to a customer in fulfillment of performance obligations under the terms of agreed contracts. Performance obligations primarily comprise delivery of oil, gas or NGLs at a delivery point, as negotiated within each contract. Each barrel of oil or NGL, cubic feet of natural gas, or other unit of measure is separately identifiable and represents a distinct performance obligation to which the transaction price is allocated. Performance obligations are satisfied at a point in time once control of the product has been transferred to the customer. The company considers a variety of facts and circumstances in assessing the point of control transfer, including but not limited to: whether the purchaser can direct the use of the hydrocarbons, the transfer of significant risks and rewards, the company's right to payment and transfer of legal title. The time between delivery and when payments are due is not significant.

The company sells its crude oil under contracts with a market-based index. Revenue is measured at the fair value of the consideration received or receivable and is net of discounts, customs duties and sales taxes.

Generally, revenues from the production of oil and natural gas properties in which the group has an interest with joint operation partners are recognised on the basis of the group's working interest in those properties (the entitlement method). Due to the contractual arrangements with the purchasers of the company's entitlement to oil and gas production whereby the purchasers have agreed to buy all of the company's share of oil and gas production, any difference between the quantity of production paid and the customers' entitlement to production is recognised as underlift or overlift of entitlement as appropriate.

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).

Interest income and similar income includes interest on intercompany loans and cash balances.

Interest cost and similar charges includes interest payable on intercompany loans and finance charges.

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.

2 Accounting policies (continued)

Taxation
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.

Depreciation
All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is calculated on a unit of production basis based on the proved and probable reserves of the asset. Any reassessment of reserves affects the depreciation rate prospectively.

Oil and Gas assets
Oil and gas expenditure – Exploration and Evaluation ("E&E") assets
Directly identifiable costs incurred to purchase, lease, or otherwise acquire specific mineral interests in unproved properties are capitalised as intangible E&E assets when incurred.

When commercially viable reserves are discovered on or otherwise attributed to the E&E asset the carrying value of the E&E asset is transferred from intangible assets to development assets within Property, Plant and Equipment.

Oil and gas expenditure – Development and Production ("D&P") assets
Costs of bringing a field into production, including the cost of facilities, wells and sub-sea equipment are capitalised as a D&P asset. Normally each individual field development will form an individual D&P asset but there may be cases, such as phased developments, or multiple fields around a single production facility when fields are grouped together to form a single D&P asset.

2 Accounting policies (continued)

Impairment

A review is carried out each reporting date for any indication that the carrying value of the company's E&E and D&P assets may be impaired.

For E&E assets, where an impairment triggering event is identified, the assets are assessed for impairment along with the corresponding cash generating unit ("CGU") to which the E&E assets are associated. Where the carrying value of an E&E asset exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount.

For D&P assets where there are indications of impairment or reversal of impairment, an impairment test is carried out on the CGU to which it is attached. The company's CGUs are those assets which generate largely independent cash flows and are normally, but not always, single developments or production areas. The impairment test involves comparing the carrying value with the recoverable value of a CGU. The recoverable amount of a CGU is determined as the higher of its fair value less costs to sell and value in use, where the value in use is determined from estimated future net cash flows. Any additional depreciation or reversal of depreciation resulting from the impairment testing is charged/credited to the Statement of Profit or Loss.

Investments

Fixed asset investments are measured initially at cost. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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.

Trade receivables

Trade receivables are amounts due from customers for petroleum products sold in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. A provision for the impairment of trade 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.

2 Accounting policies (continued)

Underlift/overlift
Underlift or overlift of entitlement to production is valued at the higher of the cost or year end contract price where fixed, or otherwise at the market price prevailing.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using a moving average cost formula.

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.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the company has made an accounting policy election, by class of underlying asset, to account for both components as a single lease component.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The lease liability is measured at the present value of the lease payments to be made over the lease term.
The right-of-use asset is initially measured at the amount of the lease liability.

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the Statement of Profit or Loss. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses or ROU Assets in the period in which the event or condition that triggers them arises, commensurate with the leased activities and nature of the services performed.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

For a modification that fully or partially decreases the scope of the lease, IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in the Statement of Profit or Loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting the Statement of Profit or Loss.

Depreciation
Depreciation is calculated on a straight-line method based on the total value of the contract payments to the lessor, apportioned equally over the term of the lease

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less.
The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line basis over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the Statement of Profit or Loss.

2 Accounting policies (continued)

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.

Provisions
Decommissioning provision
Provision for decommissioning is made when the underlying assets to be decommissioned are first placed in situ or when the assets are acquired, if later. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Unwinding of the discount of future decommissioning provisions is included as a separate financial item in the Statement of Profit or Loss under the Finance costs heading.

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.

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.

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.

Defined benefit pension obligation

For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Profit or Loss if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and interest income are shown in finance costs and finance income respectively. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset (where justifiable) or liability, net of the related deferred tax, is presented separately on the Statement of Financial Position.

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.

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.

Defined benefit pension scheme

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Further details about pension obligations are given in Note 22.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Decommissioning of oil and gas assets
Decommissioning costs will be incurred by the company at the end of the operating life of the company's oil and gas assets. The company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure may also change. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at the reporting date represents management's best estimate of the present value of the future decommissioning costs required.

Impairment of oil and gas assets
Impairment exists when the carrying value of a cash generating unit 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. Changes in these factors require judgement when working through the process of identifying any potential indicators of impairment. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of a cash generating unit.

Units of production ("UOP") depreciation of oil and gas assets
Oil and gas assets are depreciated using the UOP method with production taken over proved and probable hydrocarbon reserves. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation will be impacted to the extent that actual production in the future is different from the current forecast production based on total proved and probable reserves, or future capital expenditure estimates change. Changes to proved and probable reserves could arise due to changes in the factors or assumptions used in estimating reserves.

4 Revenue

The analysis of the company's revenue for the year from continuing operations in the UK is as follows:

	2022 $ 000	2021 $ 000
Sale of petroleum products	672,108	522,754

The company has two major customers who contributed 50.0% ($333 million) and 50.0% ($333 million) of its oil revenue in the 2022 financial year. In 2021, there were two major customers who contributed 50.6% ($262 million) and 49.4% ($256 million) of the company's oil revenue.

5 Operating profit

Arrived at after charging:

	2022 $ 000	2021 $ 000
Depreciation expense	120,983	160,178
Litigation accrual	-	(1,274)
Foreign exchange (gains)	(600)	(2,471)
Finance lease charges	3,207	3,170
(Gain) / Loss on disposal of intangible assets	(63)	15,147
Loss from write-down of inventory	-	4,212

Finance lease charges represent amortisation of offices, company vehicle and expat housing, on behalf of Apache Group companies for North Sea operating activities, included within Admin expenses. The interest expense relating to the leases are reported within Finance costs.

6 Auditors' remuneration

	2022 $ 000	2021 $ 000
Audit of the financial statements	134	189
Other fees to auditors		
All other tax advisory services	39	139
All other assurance services	16	52
	55	191

7 Directors' remuneration

In both years the directors were remunerated by another Apache group company, with management charges being passed on as appropriate. In 2022 two directors (2021: four) received remuneration, amounting to $356,000 (2021 - $826,000) representing overall compensation in respect of their services to Apache North Sea Limited. This includes $75,000 in respect of employer's pension contributions (2021 - $44,000).

During the year no director (2021 - no director) exercised stock options.

The emoluments of the highest paid director was $231,000 (2021: $496,000) and the company paid $65,000 (2021: $15,000) in respect of employer's pension contributions.

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.

8 Staff costs

The company has no employees. During the period, staff were seconded from Apache North Sea Production Limited, whose principal activity is the provision of services to other group companies. Staff costs are recharged to the relevant company within the group based on a time allocation.

Pension costs are charged to the company in respect of the defined benefit scheme plus contributions under the defined contribution scheme. See Note 22.

9 Finance income

	2022 $ 000	2021 $ 000
Interest income on bank deposits	172	-
Pension - other finance income	4,076	3,588
Interest income on intercompany loans	45,200	9,607
	49,448	13,195

10 Finance costs

	2022 $ 000	2021 $ 000
Interest cost on intercompany loans	31,278	30,178
Pension - other finance costs	3,349	3,150
Other finance costs	8,938	1,303
Accretion expense on decommissioning liability	41,964	40,530
Interest expense on leases	1,786	2,421
	87,315	77,582

11 Tax on profit on ordinary activities

Tax charged/(credited) in the income statement

	2022 $ 000	2021 $ 000
Current taxation		
UK corporation tax	107,876	50,377
UK corporation tax adjustment to prior periods	453	301
	108,329	50,678
Deferred taxation		
Arising from origination and reversal of temporary differences	(17,032)	(48,787)
Offset against pension liabilities	(954)	725
Attributable to true-up of prior year balances	(106)	-
Deferred tax impact of UK Energy Profits Levy	193,291	-
Total deferred taxation	175,199	(48,062)
Tax expense in the income statement	**283,528**	**2,616**

11 Tax on profit on ordinary activities (continued)

On 26 May 2022, the UK Chancellor of the Exchequer announced a new tax (the Energy Profits Levy) on the profits of oil and gas companies operating in the U.K. and the U.K. Continental Shelf, which was substantively enacted on 11 July 2022. Under the new law, an additional levy is assessed at a 25 percent rate and is effective for the period of 26 May 2022, through 31 December 2025. On 17 November 2022, the UK Chancellor of the Exchequer announced in the Autumn Statement 2022 further changes to the Energy Profits Levy, increasing the levy assessed from a 25 percent rate to a 35 percent rate, effective for the period of 1 January 2023, through 31 March 2028. This law was substantively enacted under Finance Act 2023 on 30 November 2022.

Upstream oil and gas production activities are taxed at a UK corporation tax rate of 30% (2021: 30%), a supplementary charge of 10% (2021: 10%) and the Energy Profits Levy of 25%, giving an overall effective rate of 65% (2021: 40%). As the Energy Profits Levy was effective as of 26 May 2023, a blended average rate of 55% is applied for 2022.

The Financial Statement impact of new legislation is recorded in the period of substantive enactment. Therefore, the company is recording a deferred tax expense related to the remeasurement of the U.K. deferred tax liability in 2022.

	2022 $ 000	2021 $ 000
Profit/(loss) before tax	189,235	(5,160)
Corporation tax at standard rate	104,209	(2,064)
Expenses not subject to tax	-	2,279
Income taxed at different rates	4,153	4,594
UK Energy Profits Levy Investment Allowance	(10,295)	-
Deferred Tax Impact of UK Energy Profits Levy	193,291	-
Field allowances	(6,638)	(4,487)
Group relief received for no compensation	-	4,156
Other	(857)	(2,163)
True-up of prior year amounts	(335)	301
Total tax charge	**283,528**	**2,616**

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.

11 Tax on profit on ordinary activities (continued)

Amounts recognised in Other Comprehensive Income

	2022 Before tax $ 000	2022 Tax (expense) benefit $ 000	2022 Net of tax $ 000	2021 Before tax $ 000	2021 Tax (expense) benefit $ 000	2021 Net of tax $ 000
Remeasurements of post employment benefit obligations	(11,089)	4,436	(6,653)	12,551	(5,021)	7,530

Deferred tax liabilities

Deferred tax liabilities are made up as follows:

	2022 $ 000	2021 $ 000
Accelerated capital allowances	504,756	388,944
Decommissioning provision	(251,057)	(292,434)
Right of Use Assets	39,998	20,972
Lease Liability	(37,947)	(20,817)
Inventory	41,354	24,286
	297,104	120,951

Deferred tax provision	2022 $ 000	2021 $ 000
Opening balance	120,951	169,739
Charged during the year	176,153	(48,788)
Closing balance	297,104	120,951

12 Intangible assets

	Exploration expenditure $ 000	Total $ 000
Cost		
At 1 January 2022	3	3
At 31 December 2022	3	3
Carrying amount		
At 31 December 2022	**3**	**3**
At 31 December 2021	3	3

13 Right of use assets

	Transport $ 000	Machinery $ 000	Property $ 000	Total $ 000
Cost or valuation				
At 1 January 2022	82,326	328	38,641	121,295
Additions	8,645	613	-	9,258
Disposals	(1,783)	-	-	(1,783)
Modifications	25,734	4	-	25,738
At 31 December 2022	114,922	945	38,641	154,508
Depreciation				
At 1 January 2022	54,968	79	13,818	68,865
Charge for the year	23,076	177	4,290	27,543
Eliminated on disposal	(14)	-	-	(14)
At 31 December 2022	78,030	256	18,108	96,394
Carrying amount				
At 31 December 2022	**36,892**	**689**	**20,533**	**58,114**
At 31 December 2021	27,358	249	24,823	52,430

Lease modifications represent the term extension of existing contracts for platform supply and drilling support vessels.

14 Property, plant and equipment

	Oil and gas assets $ 000	Other tangibles $ 000	Total $ 000
Cost or valuation			
At 1 January 2022	7,661,910	59,877	7,721,787
Additions	83,763	1,639	85,402
Decommissioning movement	(140,024)	-	(140,024)
At 31 December 2022	7,605,649	61,516	7,667,165
Depreciation			
At 1 January 2022	6,691,869	55,921	6,747,790
Charge for the year	87,795	3,058	90,853
At 31 December 2022	6,779,664	58,979	6,838,643
Carrying amount			
At 31 December 2022	**825,985**	**2,537**	**828,522**
At 31 December 2021	970,041	3,956	973,997

The 2022 decommissioning provision was revised downwards, in part due to a decrease in exchange rate but also to reflect changes in the timing and costs associated with the decommissioning of the company's oil and gas assets.

14 Property, plant and equipment (continued)

Impairment

Oil and gas assets

The company assesses the net book value of its oil and gas assets whenever events or changes indicate that their carrying value may not be recoverable. For the 2022 financial statements, the company conducted the review and due to a number of factors, prompted an assessment of impairment.

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 2022 a 27.4% 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 this review, the directors have concluded that no impairment is required for 2022.

Sensitivity analysis for these assets indicate that if oil price was to fall by 10% then this would lead to a pre-tax impairment of $108M. An increase in the discount rate by 1% would lead to a further pre-tax impairment of $4M.

15 Investments

Subsidiaries	**$ 000**
Cost	
At 31 December 2021 and 31 December 2022	-
Provision	
At 31 December 2021 and 31 December 2022	-
Carrying amount	
At 31 December 2021 and 31 December 2022	-

15 Investments (continued)

Details of the subsidiary, as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation Registered office	Proportion of ownership interest and voting rights held 2022	 2021
Apache UK Pension Trustee Limited	Pension funding	United Kingdom 27-28 Eastcastle Street, London W1W 8DH	100%	100%

16 Inventory

	2022 $ 000	2021 $ 000
Raw materials and consumables	60,820	64,621
Product inventories	26,635	-
	87,455	64,621

The company's proportionate share of raw materials and consumables are mainly capitalised within property, plant and equipment when taken from inventory.

17 Trade and other receivables

	2022 $ 000	2021 $ 000
Trade receivables	59,405	43,730
Amounts due from group undertakings	2,298,372	1,540,894
Deferred income	-	28,011
Corporation tax asset	13,851	17,238
Prepayments	3,172	3,257
Other receivables	1,092	2,183
Total trade and other receivables	**2,375,892**	**1,635,313**

The fair value of those trade and other receivables classified as financial instrument loans and receivables approximates the carrying value of that asset.

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management section in the Strategic Report.

The intercompany loans, included within Receivables from group undertakings, amount to $2,067,298,000 (2021: $1,519,973,000) and currently bear interest at Monthly Short Term AFR of 4.46%, (2021: 0.33%). Loans are expected to expire in the years 2023-2031 however are repayable on demand.

18 Trade and other payables

	2022 $ 000	2021 $ 000
Trade payables	13,433	14,341
Accrued expenses	36,114	28,462
Amounts due to group undertakings	1,596,008	1,010,545
Customer underlift	166	-
	1,645,721	1,053,348

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

The company's exposure to market and liquidity risks, related to trade and other payables, is disclosed in the financial risk management section in the Strategic Report.

The intercompany loans, included within Amounts due to group undertakings, amounts to $1,510,960,000 (2021 : $924,168,000) and currently bear interest at Monthly Short Term AFR of 4.46% and Fixed Rate 0% (2021: 0.33%). The loans are expected to expire in 2023-2031 however are repayable on demand.

19 Provisions

	Decommissioning $ 000	Total $ 000
At 1 January 2022	728,494	728,494
Decrease in existing provisions	(142,815)	(142,815)
Increase due to passage of time or unwinding of discount	41,964	41,964
At 31 December 2022	627,643	627,643

At 31 December 2022 the provision for the costs of decommissioning the company's oil and natural gas production facilities at the end of their economic lives was $627,643,000 (2021 - $731,085,000). These costs are expected to be incurred in the years 2025 - 2043. The provision has been estimated using existing technology, at current prices inflated at a rate of 2.0% and discounted using a rate of 5.92%.

The decommissioning costs estimated to be incurred in 2023 amounting to $0 (2022: $2,591,000) have been included in accrued expenses in Note 18.

20 Called up share capital

Allotted, called up and fully paid shares

	2022 No. 000	2022 $ 000	2021 No. 000	2021 $ 000
Ordinary shares of £1 each	152,447	231,918	108,125	181,918

On 31 October 2022, the company issued 44,322,312 ordinary shares for consideration of $50,000,000

21 Leases

Leases included in creditors

	31 December 2022 $ 000	31 December 2021 $ 000
Current portion of long term lease liabilities	32,808	27,583
Long term lease liabilities	18,720	24,460

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2022 $ 000	31 December 2021 $ 000
Less than one year	32,808	27,583
2 years	5,237	4,525
3 years	3,606	4,811
4 years and over	9,877	15,124
Total lease liabilities (undiscounted)	51,528	52,043

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	31 December 2022 $ 000	31 December 2021 $ 000
Right of use assets	31,038	33,519
Interest	1,781	1,862
Total cash outflow	32,819	35,381

The company enters into lease contracts on its own behalf and on behalf of other Apache Group companies for North Sea operating activities. The total future value of the minimum lease payments for operating leases shown above includes those lease contracts entered into on its own behalf and on behalf of other Apache Group companies. The company's Statement of Profit or Loss and Statement of Financial Position represents gross share inclusive of amounts billable to partners and other working interest owners. (i.e. it includes the lease for the Joint Venture Partnership).

22 Retirement benefit obligations

Details of schemes

Prior to 1 December 2007 the group operated a pension fund that had both a defined benefit section and a defined contribution section. Each scheme is explained below. The defined contribution section was closed on 30 November 2007. The defined benefit section is closed to new entrants. The assets of the fund are held in trust, separately from the assets of the company.

Defined contribution scheme
The defined contribution section of the group pension fund was replaced by a group personal pension scheme with effect from 1 November 2007. In April 2012 the contracts of all employees of Apache North Sea Limited as well as the defined contribution scheme were transferred to Apache North Sea Production Limited, whose principal activity is the provision of services to other group companies.

Apache Retirement Choices Pension Plan commenced 2019, which provided to consolidate the existing Apache Group Pension Plan into the Apache Retirement Choices Plan.

In relation to the defined contribution section of the group pension fund, the group personal pension scheme, and to the retirement choices plan, the company contributed $nil during the year to 31 December 2022 (2021 - $nil). Disclosures relating to the contributions made to these schemes during the year are made in the statutory accounts of Apache North Sea Production Limited, which currently makes the regular contributions in relation to these schemes. The contributions are then recharged to the relevant entity within the group.

Defined benefit scheme
Since the defined benefit section is closed to new entrants the current service cost, expressed as a percentage of pensionable salaries, will increase as the members of the fund approach retirement.

The benefit liabilities at 31 December 2022 have been projected on an approximate basis from a projection of the results of the last formal actuarial valuation of the plan for funding purposes as at 5 April 2022 and updated to 31 December 2022. The projections have been carried out using the Projected Unit Credit actuarial cost method by a qualified independent actuary.

The Plan is subject to UK pensions law and is regulated by the Pensions Regulator. Under the regulatory framework the Plan is subject to a full actuarial funding valuation on a triennial basis, with the most recent completed full valuation being carried out as at 5 April 2022. Any funding deficit arising is required to be addressed via a recovery plan.

The Plan is governed and administered by a Board of Trustees comprising representatives from both the sponsoring employer of the Plan and Plan members. The Board of Trustees is responsible for the administration of Plan assets and for determining the investment strategy. The assets are held by the Board of Trustees separately from the assets of the sponsoring employer.

The Board of Trustees are not aware of any amendments, curtailments or settlements which are relevant to the 31 December 2022 financial statements, in respect of the Plan.

22 Retirement benefit obligations (continued)

Contributions payable to the pension scheme at the end of the year are $168,000 (2021 - $202,000). These were accrued within the financial statements of Apache North Sea Production Limited, being the payroll company for the North Sea Region.

The expected contributions to the plan for the next reporting period are $1,969,000.

Risks

Factors affecting risks to the Plan
The Plan's liabilities are subject to risk from factors which include future changes in inflation rate, discount rates and life expectancy of the Plan members. The Plan's assets are subject to risk from factors which include future changes in the values of equities, government bonds and corporate bonds. These risks may result in the Board of Trustees requesting the sponsoring employer to make additional contributions to the Plan in the future.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	31 December 2022 $ 000	31 December 2021 $ 000
Fair value of scheme assets	137,213	254,082
Present value of scheme liabilities	(107,773)	(211,168)
	29,440	**42,914**
Related deferred tax (liability)	(11,776)	(17,166)
Defined benefit pension scheme surplus	**17,664**	**25,748**

The company has recognised the defined benefit pension scheme surplus as an asset in the Statement of Financial Position as the pension scheme deed and rules permits suspension, or reduction, of contributions.

22 Retirement benefit obligations (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2022 $ 000	2021 $ 000
Fair value at start of year	254,082	261,927
Return on plan assets, excluding amounts included in interest income	(89,662)	7,461
Interest income	4,076	3,588
Effect of changes in foreign exchange rates	(26,699)	(2,539)
Employer contributions	3,531	4,870
Benefit payments from plan assets	(8,115)	(21,225)
Fair value at end of year	137,213	254,082

Analysis of assets

The major categories of scheme assets are as follows:

	2022 $ 000	2021 $ 000
Cash and cash equivalents	2,186	16,127
Equity instruments	8,784	19,186
Debt instruments	126,243	218,769
	137,213	254,082

Equity instruments for 2022

Equity instruments for 2022 can be further categorised as follows:

	2022 $ 000	2021 $ 000
Quoted		
Overseas quoted equities	8,784	19,186

Actual return on scheme's assets

	2022 $ 000	2021 $ 000
Actual return on scheme assets	(85,586)	11,049

22 Retirement benefit obligations (continued)

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2022 $ 000	2021 $ 000
Present value at start of year	211,168	233,377
Current service cost	2,071	2,913
Actuarial gains and losses arising from changes in demographic assumptions	144	-
Actuarial gains and losses arising from changes in financial assumptions	(81,208)	(5,090)
Actuarial gains and losses arising from experience adjustments	2,491	-
Effect of changes in foreign exchange rates	(22,127)	(1,957)
Interest expense	3,349	3,150
Benefit payments from plan assets	(8,115)	(21,225)
Present value at end of year	107,773	211,168

22 Retirement benefit obligations (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2022 %	2021 %
Discount rate	5.00	1.80
Future salary increases	4.70	4.90
Future pension increases	3.00	3.20
Inflation	3.20	3.40

Post retirement mortality assumptions

	2022 Years	2021 Years
Current UK pensioners at retirement age - male	27.70	27.40
Current UK pensioners at retirement age - female	29.90	29.50
Future UK pensioners at retirement age - male	29.20	29.00
Future UK pensioners at retirement age - female	31.70	31.10

Amounts recognised in statement of profit or loss

	2022 $ 000	2021 $ 000
Amounts recognised in operating profit		
Current service cost	2,071	2,913
Amounts recognised in finance income or costs		
Net interest	(727)	(438)
Effect of changes in foreign currency exchange rates	4,572	582
Recognised in other finance cost	3,845	144
Total recognised in the statement of profit or loss	5,916	3,057

22 Retirement benefit obligations (continued)

Amounts taken to the Statement of Comprehensive Income

	2022 $ 000	2021 $ 000
Effect of changes in demographic assumptions	(144)	-
Actuarial gains and losses arising from experience adjustments	(2,491)	-
Return on plan assets	(89,662)	7,461
Changes in financial assumptions	81,208	5,090
Deferred tax	4,436	(5,021)
Amounts recognised in the Statement of Comprehensive Income	(6,653)	7,530

22 Retirement benefit obligations (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2022		2021	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to discount rate	%	%	%	%
Present value of total obligation	(3.50)	3.70	(4.40)	4.70

	2022		2021	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to rate of inflation	%	%	%	%
Present value of total obligation	3.60	(3.40)	4.50	(4.20)

	2022		2021	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
Adjustment to rate of salary growth	%	%	%	%
Present value of total obligation	0.30	(0.30)	0.40	(0.40)

The weighted average duration of the defined benefit obligation at 31 December 2022 is 15 years (2021: 19 years).

Maturity analysis of benefit payments

	Between 1-2 years $ 000	Between 2-5 years $ 000	Between 5-10 years $ 000	Total $ 000
2022	5	15	33	53
2021	6	19	46	71

23 Dividends

No dividend was paid or declared in 2022 or 2021.

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was $24,179,000 (2021 - $30,885,000).

Other financial commitments

The total amount of other financial commitments not provided in the financial statements was $22,382,000 (2021 - $24,763,000).

25 Related party transactions

As the company was a wholly owned subsidiary of Apache UK Corporation LDC as at 31 December 2022, it has taken advantage of the exception given in paragraph 8 of the Financial Reporting Standard No 101 which allows exemption from disclosure of related party transactions with other group companies.

26 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

27 Non adjusting events after the financial period

On the 17th of January 2023 Apache Corporation carried out an Equity Consolidation Step Plan. As part of this Apache North Sea Limited made a capital reduction to increase distributable reserves of $150 million to allow it to pay a dividend of $431 million to its immediate parent company, Apache UK Corporation LDC.

In June 2023, APA announced the suspension of platform drilling activity in the North Sea, citing escalating costs and tax burdens that have rendered drilling targets economically challenging. The company will manage its base production and maximise the economic recovery of its oil and gas wells through optimising operational efficiency while remaining committed to safe and environmentally responsible operations, driving cleaner production, and meeting regulatory requirements across all assets. Following this decision, during the six months ended June 30, 2023, the company recorded $19.2 million of impairments in connection with inventory valuations.