

Registration number: 7720972

Apache North Sea Production Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Apache North Sea Production Limited

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Apache North Sea Production Limited

Company Information

Directors	J W Sauer
	S Greig
	T R Custer
	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
Auditors	E14 5LB
	Ernst & Young LLP
	4th Floor
	2 Marischal Square
	Broad Street
	Aberdeen
	AB10 1BL

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2022

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

Fair review of the business

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

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

During 2022, the company increased Revenue by 37% to £145,871,000 (2021 £106,347,000) primarily driven by higher cash-based stock compensation expense resulting from an increase in the APA Corporation's stock price, and achievement of performance and financial objectives as defined in the stock awards plans. Higher overall wages across the company and global inflationary pressures also impacted expenses compared to the prior year period. Operating Profit has increased by £17,964,000 and Profit After Tax in the year was £21,370,000 (2021 - profit of £6,918,000).

In 2021, Apache initiated a substantial transformation project based around the re-design of its North Sea operating model with the intention to better position itself in the long term as a leading late life operator in the UKCS. Finalising the design was achieved in Q4 2021 and the implementation of these changes took place in 2022.

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.

The Directors do not recommend a dividend.

Key performance indicators

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

Principal risks and uncertainties

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

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 statement

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

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

- **Engagement with Workforce**

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

- **Health and Safety**

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

A global wellness platform encourages and promotes physical, financial, social and emotional wellbeing and the Future of Work Strategy is ongoing inclusive of hybrid working model, workplace and technology enhancements.

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 statement (continued)

• Diversity and Inclusion

Apache recognises diversity and inclusion (D&I) as vital to its long-term success. Since 2020, the company has dedicated resources to developing D&I programs and initiatives that foster an inclusive work environment where all employees are valued. The goal is to create a culture where all employees can feel a sense of belonging and can thrive.

In 2022, Apache strengthened its commitment by supporting its established programs and expanding employee engagement through the following key accomplishments:

- Relaunched two Employee Resource Groups (ERGs) - the Apache Young Professionals Network and TEAM Apache, the employee volunteer organization;
- Participated in external D&I surveys to benchmark against the industry and increase knowledge on D&I best practices;
- Launched a global employee engagement survey to assess engagement, inclusion, and employee well-being;
- Held mandatory D&I training for people leaders globally;
- Conducted employee focus groups with employees to gain insight on employee sentiment;
- Maintained a global mentorship program to provide career development through networking with leaders;
- Completed internal annual pay equity analysis; and
- Continued to support community outreach in the communities in which Apache operates.

• Talent

Apache seeks to attract, develop, and retain the best talent throughout the company. By recruiting locally Apache North Sea Production can benefit from the deep expertise employees have gained from working in a location with mature oil fields. During 2022, the company enhanced its global succession planning program by including identification of high potential talent pool and continued its robust assessment of competency proficiency levels for successors. The company continues to advance its global employee development strategy through formal development plans, on-the-job learning, and challenging work assignments that strengthen business critical skill sets to meet future workforce needs. Apache Corporation continued its leadership development program with the addition of targeted workshops that further reinforced the leadership framework detailing clear behaviours that the company expects from its people leaders to ensure they align with its culture.

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 statement (continued)

• Total Rewards

Apache's approach to total rewards is designed to attract, motivate, and retain top talent by providing a robust total rewards package that includes competitive base salary, industry-leading benefits and performance-driven incentives. To foster a stronger sense of ownership and align the interests of employees and shareholders, restricted stock units are provided to eligible employees under APA Corporation's broad-based compensation program. The company believes that a compensation programme with both short-term and long-term incentives provides fair and competitive compensation and aligns employee and stockholder interests. Apache's incentive compensation programmes reward company and individual performance by incorporating metrics related to Apache's operations, financial, ESG (Environmental, Social, and Governance), and workforce safety initiatives. Furthermore, the company offers comprehensive and locally relevant benefits that cultivate a family-friendly work environment and focuses on the overall wellness of the Apache's employees.

• Training and Development

At Apache, effective employee development integrates both training and performance management programs. In 2022, Apache Corporation's Performance Management program moved into a more sustainable phase with a reinforcement on promoting an ongoing feedback culture between managers and employees.

Supplemental development and training opportunities were offered during the year to support employees in their personal and professional development, including:

- Access to multiple, third-party online trainings;
- Annual cybersecurity training to keep the company and employees' personal information secure;
- Required health, safety and environmental trainings offered to field and offshore employees on safe practices;
- Leadership and personal development coaching opportunities through a collaboration with leading human resources consulting companies;
- Ongoing education for people leaders around the company's leadership competencies and behaviours; and
- Annual compliance, antitrust, bribery, corruption, and code of business conduct and ethics training required for all employees and leaders.

• Code of Business Conduct and Ethics

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 receive training on this code of Business Conduct and Ethics at regular intervals and must recertify compliance annually. The code can be accessed on the Governance page of APA Corporation's website www.APAcorp.com

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172 statement (continued)

• Engagement with suppliers

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

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

Engagement can be illustrated as follows;

- 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

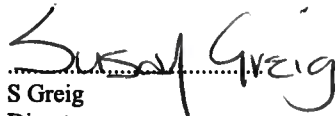
The need to foster the company's business relationships with customers is delegated by the Directors to a dedicated centralised Marketing Group within Apache Corporation.

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.

Apache North Sea Production Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

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


S Greig
Director

Apache North Sea Production 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

R M Littlewood

Employment of disabled persons

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

Going concern

The financial statements have been prepared under the going concern basis and the directors have reviewed the going concern period to 30 September 2024. The principal risk for the company is the company's ability to pay creditors which will be dependent on funds received from the provision of services to companies within the group. In the event that this was insufficient, the company is dependent on the financial support of its parent or other group undertakings. In particular, the directors believe that the company will be able to continue in operational existence based on the parental support Apache Corporation provides to Apache North Sea Production Limited. A letter of support has been provided by Apache Corporation covering the period to 30 September 2024.

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

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

Political donations

The company made no political donations during 2022.

Apache North Sea Production Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Disclosure of information to the auditors

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

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors

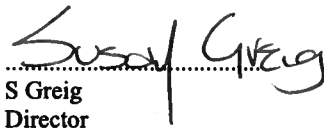
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

Environmental matters

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

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


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S Greig
Director

Apache North Sea Production 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 Production Limited

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

Opinion

We have audited the financial statements of Apache North Sea Production Limited (the "company") for the year ended 31 December 2022, which comprise the Statement of Profit or Loss Account, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Apache North Sea Production Limited

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

Conclusions relating to going concern

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

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

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Apache North Sea Production Limited

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

- 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 10), 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.

Apache North Sea Production Limited

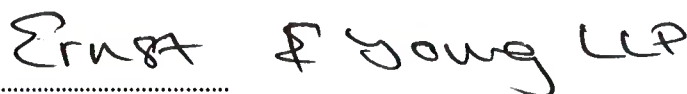
Independent Auditor's Report to the Members of Apache North Sea Production Limited (continued)

- 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 noncompliance with such laws and regulations. Our procedures involved enquiry with management and considering whether any events or conditions during the audit might have indicated non-compliance with laws and regulations. Our procedures on journal entries testing included a focus on journals meeting our defined risk criteria, including those posted by those charged with governance, based on our understanding of the business and enquiry with management. Where instances of higher risk journals were identified, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information. We incorporated unpredictability into our testing of manual journals and 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



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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 Production Limited

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

	Note	2022 £ 000	2021 £ 000
Revenue	4	145,871	106,347
Cost of sales		<u>(112,820)</u>	<u>(91,233)</u>
Gross profit		33,051	15,114
Administrative expenses		<u>(29)</u>	<u>(56)</u>
Operating profit	5	<u>33,022</u>	<u>15,058</u>
Finance income	9	4	4
Finance costs	10	<u>(14)</u>	<u>(1)</u>
		<u>(10)</u>	<u>3</u>
Profit before tax		33,012	15,061
Tax charge on profit on ordinary activities	11	<u>(11,642)</u>	<u>(8,143)</u>
Profit for the year		<u>21,370</u>	<u>6,918</u>

The above results were derived from continuing operations.

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022	2021
	£ 000	£ 000
Profit for the year	<u>21,370</u>	<u>6,918</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>21,370</u>	<u>6,918</u>

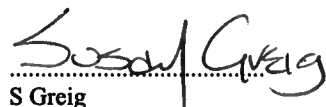
Apache North Sea Production Limited

(Registration number: 7720972)

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Non-current assets			
Deferred tax	11	672	5,501
Current assets			
Trade and other receivables	12	85,859	101,919
Cash and cash equivalents		4,703	7,865
Tax asset	11	5,339	-
		<u>95,901</u>	<u>109,784</u>
Creditors: Amounts falling due within one year	13	<u>(51,363)</u>	<u>(47,003)</u>
Net current assets		<u>44,538</u>	<u>62,781</u>
Net assets		<u>45,210</u>	<u>68,282</u>
Capital and reserves			
Retained earnings		<u>45,210</u>	<u>68,282</u>
Total shareholders' funds		<u>45,210</u>	<u>68,282</u>

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



S Greig
Director

Apache North Sea Production Limited

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

	Retained earnings £ 000	Total £ 000
At 1 January 2022	68,282	68,282
Profit for the year	21,370	21,370
Other comprehensive income	-	-
Total comprehensive income	21,370	21,370
Dividends	(44,442)	(44,442)
At 31 December 2022	45,210	45,210

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

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

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

These financial statements were authorised for issue by the board on 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 37 Provisions, Contingent Liabilities & Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Basis of preparation

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

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

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

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared under the going concern basis and the directors have reviewed the going concern period to 30 September 2024. The principal risk for the company is the company's ability to pay creditors which will be dependent on funds received from the provision of services to companies within the group. In the event that this was insufficient, the company is dependent on the financial support of its parent or other group undertakings. In particular, the directors believe that the company will be able to continue in operational existence based on the parental support Apache Corporation provides to Apache North Sea Production Limited. A letter of support has been provided by Apache Corporation covering the period to 30 September 2024.

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

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

Revenue recognition

Recognition

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

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

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

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

Principal versus agent

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

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

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

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

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

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

Transaction price

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

Finance income and costs policy

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

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances

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

Tax

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

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

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

Cash and cash equivalents

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

Trade receivables

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

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

Trade and other payables

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

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

Share capital

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

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Pensions

The company operates a defined contribution pension scheme, the Apache Retirement Choices Pension Plan. Contributions are charged to the Statement of Profit or Loss as they become payable in accordance with the rules of the scheme. In relation to the retirement choices plan, the company contributed £6,050,000 during the year to 31 December 2022 (2021 - £5,582,000).

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

Share based payments

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

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

Financial instruments

Initial recognition

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

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

Classification

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Derecognition

Financial assets

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

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting estimates and assumptions

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

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

Share based payment

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

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

	2022 £ 000	2021 £ 000
Rendering of services	<u>145,871</u>	<u>106,347</u>

5 Operating profit

Arrived at after charging

	2022 £ 000	2021 £ 000
Foreign exchange (gains) / losses	<u>(15,251)</u>	<u>124</u>

6 Auditors' remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>28</u>	<u>30</u>
Other fees to auditors		
All other tax advisory services	5	28
All other assurance services	<u>1</u>	<u>-</u>
	<u>6</u>	<u>28</u>

7 Directors' remuneration

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Staff costs

The aggregate payroll costs were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	77,019	68,296
Social security costs	7,962	6,169
Pension costs	7,742	7,487
Severance costs	201	455
Share-based payment expenses	39,662	14,253
	<u>132,586</u>	<u>96,660</u>

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

	2022 No.	2021 No.
Onshore	224	189
Offshore	410	420
	<u>634</u>	<u>609</u>

9 Finance income

	2022 £ 000	2021 £ 000
Interest income on bank deposits	<u>4</u>	<u>4</u>

10 Finance costs

	2022 £ 000	2021 £ 000
Other finance costs	<u>14</u>	<u>1</u>

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Tax on profit on ordinary activities

Tax charged in the statement of profit or loss

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax charge on profit for the year	12,187	11,084
UK corporation tax charge in respect of previous years	<u>(5,375)</u>	<u>-</u>
	<u>6,812</u>	<u>11,084</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(164)	(2,941)
Attributable to true-up of prior year balances	<u>4,994</u>	<u>-</u>
Total deferred taxation	<u>4,830</u>	<u>(2,941)</u>
Tax expense in the statement of profit or loss	<u>11,642</u>	<u>8,143</u>

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.

The differences are reconciled below:

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Tax on profit on ordinary activities (continued)

	2022 £ 000	2021 £ 000
Profit before tax	33,012	15,061
Corporation tax at standard rate	18,179	6,024
Income taxed at different rates	(5,410)	557
Deferred tax impact of Energy Profits Levy	(89)	-
Group relief surrendered for no compensation	(2,037)	504
True-up of prior year amounts	(457)	-
Other	1,456	1,058
Total tax charge	11,642	8,143

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.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Tax on profit on ordinary activities (continued)

Deferred tax asset

The deferred tax asset is made up as follows:

	2022 £ 000	2021 £ 000
Other timing differences	672	5,501
	<u>672</u>	<u>5,501</u>
Deferred tax provision	2022 £ 000	2021 £ 000
Opening balance	5,501	2,560
Charged during the year	(4,829)	2,941
Closing balance	<u>672</u>	<u>5,501</u>

12 Trade and other receivables

	31 December 2022 £ 000	31 December 2021 £ 000
Amounts due from group undertakings	83,348	99,831
Other receivables	2,511	2,088
	<u>85,859</u>	<u>101,919</u>

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

13 Creditors: amounts falling due within one year

	31 December 2022 £ 000	31 December 2021 £ 000
Trade and other payables	20,570	22,825
Accrued expenses	15,507	15,884
Amounts due to group undertakings	12,099	2,286
Social security and other taxes	3,187	3,251
Income tax liability	-	2,757
	<u>51,363</u>	<u>47,003</u>

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

15 Share-based payments

Stock Compensation Plans

General overview

As of 31 December 2022, the ultimate parent undertaking, APA Corporation, has several stock-based compensation plans which include stock options, restricted stock and conditional restricted stock unit plans, in which employees of Apache North Sea Production Limited are eligible to participate. These include the 2016 Omnibus Compensation Plan (the 2016 Plan), which is used to provide eligible employees with equity-based incentives by granting incentive stock options, non-qualified stock options, performance awards, restricted stock awards, restricted stock units, stock appreciation rights, cash awards, or any combination of the foregoing. Previously approved plans remain in effect solely for the purpose of governing grants still outstanding that were issued prior to the approval of the 2016 Plan. All new grants are issued from the 2016 Plan. In 2018, APA Corporation began issuing cash-settled awards (phantom units) under the restricted stock and conditional restricted stock unit plans. The phantom units represent a hypothetical interest in APA Corporation's stock and, once vested, are settled in cash.

Costs related to the plans are capitalised or expensed based on the nature of each employee's activities. The overall cost of stock based compensation in 2022 was £39,663,000 (2021 - £14,253,000). This cost is for all stock compensation plans available to employees of Apache North Sea Production Limited.

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

Stock Options

Scheme details and movements

As of 31 December 2022, employees held options to purchase shares of APA Corporation's common stock under the 2016 Plan and the 2011 Omnibus Equity Compensation Plan (2011 Plan), (together, the Omnibus Plans). New shares of APA Corporation common stock will be issued for employee stock option exercises. Under the Omnibus Plans, the exercise price of each option equals the closing price of APA Corporation's common stock on the date of grant. Options granted become exercisable ratably over a three-year period and expire 10 years after granted. The Omnibus Plans were submitted to and approved by APA Corporation's shareholders.

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

	31 December 2022 Number 000	31 December 2021 Number 000
Outstanding, start of period	71	103
Expired during the period	(51)	(32)
Outstanding, end of period	<u>20</u>	<u>71</u>

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

	31 December 2022 \$	31 December 2021 \$
Outstanding, start of period	71.69	82.36
Expired during the period	80.94	106.42
Outstanding, end of period	<u>47.61</u>	<u>71.69</u>

Outstanding Stock Options

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

- (1) options outstanding had a weighted average remaining contractual life of 4.2 years (2021 - 1.9 years) and no intrinsic value (2021 - \$nil)
- (2) NIL options expected to vest (2021 - NIL) had a weighted average remaining contractual life of NIL years (2021 - NIL years) and no intrinsic value (2021 - \$nil)
- (3) 20,000 options exercisable (2021 - 71,000) had a weighted average remaining contractual life of 4.2 years (2021 - 1.9 years) and no intrinsic value (2021 - \$nil)

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

Fair value of Stock Options granted

The weighted average fair value of options granted during the year was \$0.00 - (2021 - \$0.00).

Stock-settled Restricted Stock Units

Scheme details and movements

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

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

	31 December 2022 Number 000	31 December 2021 Number 000
Non-Vested, start of period	71	52
Granted during the period	37	57
Forfeited during the period	(7)	(16)
Vested during the period	(30)	(22)
Non-Vested, end of period	<u>71</u>	<u>71</u>

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

	31 December 2022 \$	31 December 2021 \$
Non-Vested, start of period	19.62	27.46
Granted during the period	29.46	16.18
Forfeited during the period	24.19	19.45
Vested during the period	21.15	29.31
Non-Vested, end of period	<u>23.68</u>	<u>19.62</u>

Outstanding Stock-settled Restricted Stock Units

The weighted average remaining life of unvested stock-settled restricted stock units is 0.7 years (2021 - 0.7 years).

As of 31 December 2022, there was \$0.8 million (2021 - \$0.6 million) of total unrecognised compensation cost related to 71,000 (2021 - 71,000) unvested stock-settled restricted stock units.

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

Cash-settled Restricted Stock Phantom Units

Scheme details and movements

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

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

	31 December 2022 Number 000	31 December 2021 Number 000
Non-Vested, start of period	1,103	719
Granted during the period	492	778
Forfeited during the period	(59)	(45)
Vested during the period	(494)	(349)
Transfers out during the period	(8)	-
Non-Vested, end of period	<u>1,034</u>	<u>1,103</u>

Outstanding Cash-settled Restricted Stock Phantom Units

The outstanding liability for the unvested cash-settled restricted stock phantom units as at 31 December 2022 was approximately \$19.9 million (2021 - \$12.9 million).

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

Performance Program

Stock-settled Conditional Restricted Stock Units

Scheme details and movements

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

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

	31 December 2022 Number 000	31 December 2021 Number 000
Non-Vested, start of period	-	1
Vested during the period	-	(1)
Non-Vested, end of period	<u>-</u>	<u>-</u>

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

	31 December 2022 \$	31 December 2021 \$
Non-Vested, start of period	-	63.25
Vested during the period	-	63.25
Non-Vested, end of period	<u>-</u>	<u>-</u>

Outstanding Stock-settled Conditional Restricted Stock Units

The weighted average remaining life of unvested stock-settled conditional restricted stock units is 0.0 years (2021 - 0.0 years).

The notes on pages 19 to 39 form an integral part of these financial statements.

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

Grants from the performance programs outstanding at 31 December 2022 are as described below:

As of 31 December 2022, there was NIL (2021 - \$NIL) of total unrecognised compensation cost related to NIL (2021 – NIL) unvested stock-settled conditional restricted stock units.

Cash-settled Conditional Phantom Units

Scheme details and movements

In January 2019, APA Corporation's Board of Directors approved the 2019 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional phantom units totalling 41,000 units. A total of 11,000 phantom units were outstanding as of December 31, 2022. The result for the performance period yielded a payout of 100 percent of target.

In January 2020, APA Corporation's Board of Directors approved the 2020 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional phantom units totalling 43,000. A total of 28,000 phantom units were outstanding as of December 31, 2022. The result for the performance period yielded a payout of 155 percent of target.

In January 2021, APA Corporation's Board of Directors approved the 2021 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional phantom units totalling 32,000. The actual amount of phantom units awarded will be between zero and 200 percent of target. A total of 24,000 phantom units were outstanding as of December 31, 2022, from which a minimum of zero to a maximum of 47,000 phantom units could be awarded.

In January 2022, APA Corporation's Board of Directors approved the 2022 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional phantom units totalling 38,000. The actual amount of phantom units awarded will be between zero and 200 percent of target. A total of 24,000 phantom units were outstanding as of December 31, 2022, from which a minimum of zero to a maximum of 49,000 phantom units could be awarded.

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

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

	31 December 2022 Number 000	31 December 2021 Number 000
Non-Vested, start of period	83	79
Opening Reporting Change	(2)	-
Granted during the period	38	32
Forfeited during the period	(7)	(19)
Vested during the period	(13)	(3)
Expired during the period	(12)	(6)
Non-Vested, end of period	<u>87</u>	<u>83</u>

Outstanding Cash-settled Conditional Phantom Units

A total of 87,000 phantom units were outstanding as of 31 December 2022 (2021 – 83,000), from which a minimum of zero and a maximum of 151,000 phantom units could be awarded.

The outstanding liability for the unvested cash-settled conditional units as of 31 December 2022 was approximately \$1.6 million (2021 - \$0.8 million).

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Share-based payments (continued)

Fair value of Cash-settled Conditional Phantom Units

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

Share Incentive Plan

Scheme details

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

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

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

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

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

If employees leave the APA Corporation group their Matching Shares will cease to be subject to the Plan. Matching Shares allocated to employees within the previous five years will be subject to income tax under PAYE and NICs. The actual cost of the Share Incentive Plan is recognised when Matching Shares are purchased. The cost in 2022 was £2.1 million (2021 - £2.1 million).

Apache North Sea Production Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 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 by paragraph 8 of the Financial Reporting Standard No 101 which allows exemption from disclosure of related party transactions with other group companies. The company has also taken advantage of the exception given by paragraph 8 of Financial Reporting Standard No 101 which allows exemption from disclosure of compensation for key management personnel.

17 Parent and ultimate parent undertaking

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

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

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

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

