

Registration number: 4614761

Apache North Sea Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Apache North Sea Limited

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Apache North Sea Limited

Company Information

Directors	J W Sauer S Greig R J J Chelte T R Custer K H Neupert B C Rodgers
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 Blenheim House Fountainhall Road Aberdeen AB15 4DT

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

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 region 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. The North Sea region plays a strategic role in Apache Corporation's portfolio by providing competitive investment opportunities and potential reserve upside with high-impact exploration potential.

During 2019, Apache North Sea Limited ("Apache"), averaged 1 rig, drilled 7 platform development wells in the Forties field with 100% success rate. Apache averaged production of 10.9 million barrels of oil equivalent generating \$721 million of revenue. Production decreased 10% from 2018, primarily due to lower production efficiency and natural field decline.

The results for 2019 reflect a reduction in capital costs incurred by 22% compared to the prior year in response to lower realised commodity prices. Apache's crude oil production is sold under term entitlement volume 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 realised crude prices for 2019 were down 5% compared to 2018, a direct result of the decreasing benchmark oil prices over the past year. Crude oil prices realised in 2019 averaged \$65.94 per barrel.

During 2019, Apache added approximately 4.8 MMBOE from drilling success in the Forties fields, however an overall decrease in Proved and Probable reserves prompted an assessment of impairment. The results of this assessment concluded that no impairment of assets were required in 2019.

The company has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) as adopted by EU that are mandatorily effective for the year ending 31 December 2019. Where the changes affect the company, the relevant application and disclosure has been made during the year to 31 December 2019.

On January 1, 2019 Apache adopted IFRS 16 – Leases, which requires lessees to recognise separate right-of-use (ROU) assets and lease liabilities for most leases classified as operating leases under previous GAAP. Provisions of the standard have been applied prospectively to leases in effect at the date of adoption. Finance lease expense associated with ROU assets is recognised on a straight-line basis over the lease term. Gross fixed operating lease expense, inclusive of amounts billable to partners was \$54.7M in 2019. Depreciation on the Company's Finance Lease Assets was \$57.3M and interest on the Company's finance lease assets was \$5.4M in 2019.

In 2020, Apache plans to invest \$84M, assuming Brent pricing of approximately \$43 per barrel. With one platform rig in the North Sea running between Forties and Beryl Assets (owned by Apache Beryl I Limited). To the extent Brent pricing continues to fall, capital investments will be reduced, as will near-term production outlooks.

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

	Unit	2019	2018
Production Revenue	\$million	721.00	843.00
Capital expenditure	\$million	74.00	95.00
Average Crude Oil Price	\$	65.94	69.24
Average Lease Operating cost *	\$/boe	17.81	17.26

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

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

On December 31, 2019, Apache had 0 employees.

Non Financial KPIs

Environment, Health and Safety management

	2019	2018
Discharges to the environment		
- Oil to Sea (tonnes)	198	221
- CO2 emission (ktonnes)	378	452
Number of lost time incidents	-	1

Operational Success:

	2019	2018
Annual production (mmboe)	11	12
Reserves (decrease)/ increase (%)	(5)	10

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.

In 2019, the Energy Management System is re-certified to the International Standard Organisation (ISO) ISO50001:2018.

Apache will implement a greenhouse gas (GHG) management system in 2020 with a view to achieving the ISO 14064 certification in 2021 to manage the Net Zero Emissions Regulations.

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties

Our business activities continue to be subject to risks or uncertainties that impact the ability to maximize economic recovery. The volatility and prolonged low price of oil, decreasing reserve size opportunities and capital constraints translates into further challenges to transform discovery opportunities into viable commercial developments. Other risks and uncertainties include:

- Ability to sell crude oil may be adversely affected by pipeline capacity constraints and various transportation interruptions
- Uncertainty and economic instability due to UK's withdrawal from the European Union is likely to have significant long-term effects on operating results
- Harsh operating conditions in the UKCS and high degree of operational risk
- Financial capability of ultimate Parent Company and ability to access Capital
- Discontinuation of LIBOR and adoption of an alternative rate may impact financing costs
- Discoveries or acquisitions of additional reserves are needed to avoid a material decline in reserves and production
- Negative public perception regarding Apache and/or our industry could have an adverse effect on our operations
- Changes in Tax rules and regulations
- Sensitivity to currency rate fluctuations
- Costs associated with the relative maturity of the basin
- Changes to existing regulations related to emissions could adversely impact the business
- Cyber-attacks targeting systems and infrastructure used by the oil and gas industry

Since December 31, 2019, the global economy and the energy industry have been deeply impacted by the effects of the coronavirus disease 2019 (COVID-19) pandemic and related governmental action. Uncertainty in the oil markets were amplified late in the first quarter of 2020 as the negative demand implications of the rapidly spreading COVID-19 pandemic became more apparent and the Organisation of the Petroleum Exporting Countries (OPEC) and its additional partner countries failed to reach consensus on a supply response. The impacts to oil supply and demand resulted in historic oil price declines. Apache Corporation responded quickly taking a number of decisive actions including;

- Established primary initiatives to prioritise the health and safety of the Company's employees and communities in which Apache operates, including closing the office, implementing work-from-home processes and stringent operational protocols and initiating contingency plans to ensure continuity in the event of a more sustained impact
- Reduced planned activity in the North Sea
- Implemented deeper cost cutting measures as part of the corporate redesign and organisational initiatives.

As the company evaluates the remainder of 2020 under prolonged effects of COVID-19 pandemic, there are a number of fundamental uncertainties. Key among these concerns is the timing and magnitude of worldwide demand recovery and worldwide supply resources. For Apache Corporation, the immediate course of action is to actively reduce its cost structure, protect its balance sheet and prudently manage operations to preserve cash flow. The current crisis, however, is still evolving and may become more severe and complex. The COVID-19 pandemic may also materially adversely affect the Company's results in a manner that is either not currently known or that the Company does not currently consider to be a significant risk to the business.

Combined with proactive measures to adjust its capital budget, protect further downside price risk through entering into new hedge positions and reduce its operating cost structure in the current volatile commodity price environment, Apache believes the liquidity and capital resource alternatives available to the company will be adequate to fund its operations and provide flexibility until commodity prices and industry conditions improve.

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Section 172(1) 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. Every employee and Director receive training on this code of Business Conduct and Ethics at regular intervals and must recertify compliance annually. In September 2019 the Code of Conduct was revised to include a code of ethics. The code can be accessed on the Governance page of Apache Corporation's website www.apachecorp.com

The Directors of the Company 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

Apache has historically employed a decentralised geographic region-focused approach to operations. North Sea Directors agree strategy and goals with Apache Corporation and execute plans and activity for the Region. Any decisions are considered with regard to relevant stakeholders. Apache Corporation is focused on rigorous portfolio management and optimisation of returns and to this end will reallocate capital to Apache North Sea Limited as part of its ongoing planning process. The Directors also review Financial and Operational performance with Apache Corporation and its Board of Directors. In late 2019 Corporate Management initiated a comprehensive redesign of Apache's organisational structure and operations that it believes will better position the Company to be competitive for the long-term and further reduce recurring costs. The reorganisation is ongoing and is expected to be substantially completed for the technical functions by the end of the first quarter of 2020. Changes for the corporate support functions will be ongoing through most of 2020. Changes in Apache's Board of Directors in April 2020, are aligned with this reorganisation.

Engagement with employees

Workforce is defined as the combination of employees and those PAYE contractors who work for Apache for periods in excess of 3 months per year. Apache North Sea Limited do not have any employees as these are contracted through Apache North Sea Production Limited who 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.

Engagement with suppliers, customers and other relationships

The Company transacts with a number of 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. Engagement can be illustrated as follows :

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

- The Company has awarded Life of Field Contracts to several Suppliers to enhance improved collaboration and efficiency through a joint working partnership arrangement.
- In August 2019 the Company began on-boarding suppliers to the ARIBA Procurement to Pay System which facilitates an efficient electronic purchasing and invoicing process which is anticipated to be fully implemented by the end of 2020.
- Brexit - Working closely with suppliers to minimise the risk the UK's exit from the European Union may bring.
- A committee was formed in order to review the IR35 Legislation and ensure full compliance with detailed communications to Apache Management, Agencies and its Contractor population.
- Industry workgroups facilitated through O&G UK and OGA - Sharefair, Efficiency Task Force, Brexit Steering Group, Legal Forum etc.
- Contractor management workgroups with Contract Accountable Managers appointed to some of Apache's tier 1 suppliers.
- Supplier Code of Conduct, FPAL and other industry led initiatives.

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.

The Company aims to be a community partner in our areas of operation, focused on protecting the safety and health of our employees, local population and the environment. The safety of our employees, contractors and communities is not negotiable and will not be compromised. Safety underpins our Core Values and is at the forefront of decision-making at every level of the Apache organization.

Apache Corporation has a suite of HSSE standards and guidelines to ensure responsible operations appropriate to local operating conditions and regulations. Incidents are recorded and tracked in the incident reporting and management software system. Each incident is actively managed through to resolution of the event, to assess and mitigate impacts determining causal factors and reporting externally if appropriate. We ask our contractors to instil Apache's Core Values of safety and environmental responsibility in their own organizations, and we require contractors to demonstrate that they have effective safety management systems in place. Quarterly performance reviews with our main contractors are held which cover HSSE performance against key performance indicators as well as opportunities for improvement to be adopted.

Protecting the environment is part of the mission and Core Values that guide our daily work. We continue to reduce environmental impacts at all stages of our operations through the thoughtful evaluation and implementation of new technologies, practices and procedures that not only reduce impacts but often reduce operating costs as well. The North Sea operations are certified to the voluntary ISO 14001 (environmental management system) and ISO 50001 (energy management system) standards. We continue to develop strategies to decrease operational process-related GHG emissions and energy use by optimizing the efficiency of our operations. Improving the stability from all assets is a key factor to increase energy efficiency and consequently reduce emissions.

In August 2019, in recognition of our comprehensive efforts to advance sustainability, Apache's North Sea operations received a gold level score from the Keep Scotland Beautiful National Award for Environmental Excellence®. To earn this award, we were evaluated on a wide range of environmental and social criteria, including management systems and training to support sustainable operations, transparency, health and safety, waste and energy use reduction, accessibility, and community participation and support.

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Apache believes in giving where we live and work and in making a meaningful impact in areas that align with our values and that are important to our employees.

Full sustainability report is available on the Sustainability page of Apache Corporation's website www.apachecorp.com.

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 been extremely volatile mainly due to global supply and demand, which has adversely affected our revenues, operating income, cash flow and proved reserves. These risks are closely monitored and factored into future development plans.

Our 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 the majority of 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. Apache is subject to increased foreign currency risk associated with the effects of the UK's withdrawal from the European Union.

Apache North Sea Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

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. The credit worthiness of any potential customer is reviewed and in some cases the relevant counterparty is required to post a letter of credit or provide other financial assurance.

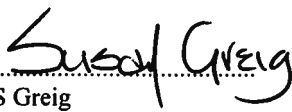
The exposure to banks and financial institutions is limited because the majority of cash is invested in US Treasury securities or money market funds which invest in US Treasury securities. Funds which are not invested in US Treasury securities are on deposit with banks having credit ratings of at least single A- (or equivalent) by international credit-rating agencies.

In March 2018, Apache Corporation and certain affiliates entered into a revolving credit facility with commitments totalling \$4.0 billion. In March 2019, the terms of this facility was extended by one year to March 2024 (subject to Apache Corporation's remaining one-year extension option) pursuant to Apache's exercise of an extension option. The Company can increase commitments up to \$5.0 billion by adding new lenders or obtaining the consent of any increasing existing lenders. The facility includes a letter of credit sub-facility of up to \$3.0 billion, of which \$2.08 billion was committed as of 31 December 2019. The facility is for general corporate purposes and committed borrowing capacity fully supports Apache Corporation's commercial paper program. Letters of credit are available for security needs, including in respect of abandonment obligations assumed in various North Sea acquisitions. As of 31 December 2019, there were no borrowings or letters of credit outstanding under this facility.

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 2 December 2020 and signed on its behalf by:


.....
S Greig
Director

Apache North Sea Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the company

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

G L Ables (resigned 1 April 2020)

J A Graham (resigned 1 April 2020)

J W Sauer

T R Custer (appointed 12 December 2019)

B C Rodgers (appointed 12 December 2019)

The following directors were appointed after the year end:

S Greig (appointed 1 April 2020)

R J J Chelte (appointed 1 April 2020)

K H Neupert (appointed 1 April 2020)

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 8. The Strategic Report also considers financial risk management such as cash flow risk, credit risk and liquidity risk on pages 7 and 8. The Strategic Report contains details of future developments for the company.

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 field along with other developments that are in progress. 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 parent undertaking, Apache Corporation, to provide funding.

On the basis of this assessment it is the belief of the Directors that the company will remain in operational existence for the foreseeable future. Thus 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 2019.

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.

Apache North Sea Limited

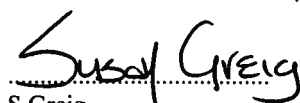
Directors' Report for the Year Ended 31 December 2019 (continued)

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 2 December 2020 and signed on its behalf by:

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

S Greig
Director

Apache North Sea Limited

Statement of Directors' Responsibilities

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

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

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

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

Apache 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 2019, 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 26, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of Matter - Disclosures in relation to the impact of COVID-19

We draw attention to Note 26 of the financial statements, which describe the financial and operational consequences/disruption the company is facing as a result of COVID-19 which is impacting commodity prices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Apache North Sea Limited

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 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 where 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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Apache North Sea Limited

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

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

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

Date: 4 December 2020
.....

Apache North Sea Limited

Statement of Profit or Loss for the Year Ended 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Revenue	4	721,416	843,412
Cost of sales		<u>(418,459)</u>	<u>(490,367)</u>
Gross profit		302,957	353,045
Administrative expenses		<u>(16,004)</u>	<u>(9,246)</u>
Operating profit	5	286,953	343,799
Finance income	9	38,993	69,775
Finance costs	10	<u>(85,138)</u>	<u>(83,100)</u>
		<u>(46,145)</u>	<u>(13,325)</u>
Profit on ordinary activities before tax		240,808	330,474
Tax charge on profit on ordinary activities	11	<u>(84,900)</u>	<u>(95,289)</u>
Profit for the year		155,908	235,185

The above results were derived from continuing operations.

Apache North Sea Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Profit for the year		155,908	235,185
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	22	<u>2,831</u>	<u>(1,090)</u>
Total comprehensive income for the year		<u>158,739</u>	<u>234,095</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

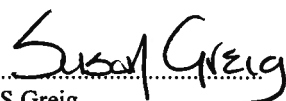
Apache North Sea Limited

(Registration number: 4614761)

Statement of Financial Position as at 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Non-current assets			
Intangible assets	12	1,223	-
Property, plant and equipment	14	1,097,117	1,268,153
Retirement benefit obligations	22	17,336	12,395
Right of use assets	13	97,702	-
		<u>1,213,378</u>	<u>1,280,548</u>
Current assets			
Inventory	16	54,342	54,802
Trade and other receivables	17	1,159,021	1,087,729
Cash and cash equivalents		41,244	4,131
		<u>1,254,607</u>	<u>1,146,662</u>
Creditors: Amounts falling due within one year			
Trade and other payables	18	(714,882)	(834,493)
Current portion of long term lease liabilities	21	(41,830)	-
		<u>(756,712)</u>	<u>(834,493)</u>
Creditors: Amounts falling due within one year			
		<u>(756,712)</u>	<u>(834,493)</u>
Net current assets		<u>497,895</u>	<u>312,169</u>
Total assets less current liabilities		<u>1,711,273</u>	<u>1,592,717</u>
Provisions	19	(584,360)	(636,751)
Deferred tax liabilities	11	(184,146)	(233,042)
Long term lease liabilities	21	(61,104)	-
		<u>(829,610)</u>	<u>(869,793)</u>
Non-current liabilities			
		<u>(829,610)</u>	<u>(869,793)</u>
Net assets		<u>881,663</u>	<u>722,924</u>
Capital and reserves			
Called up share capital	20	181,918	181,918
Share premium reserve		34,221	34,221
Retained earnings		665,524	506,785
		<u>665,524</u>	<u>506,785</u>
Total shareholders' funds		<u>881,663</u>	<u>722,924</u>

Approved by the Board on 2 December 2020 and signed on its behalf by:


S Greig
Director

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2019	181,918	34,221	506,785	722,924
Profit for the year	-	-	155,908	155,908
Other comprehensive income	-	-	2,831	2,831
Total comprehensive income	-	-	158,739	158,739
At 31 December 2019	181,918	34,221	665,524	881,663

	Share capital \$ 000	Share premium \$ 000	Retained earnings \$ 000	Total \$ 000
At 1 January 2018	181,918	34,221	1,772,690	1,988,829
Profit for the year	-	-	235,185	235,185
Other comprehensive income	-	-	(1,090)	(1,090)
Total comprehensive income	-	-	234,095	234,095
Dividends	-	-	(1,500,000)	(1,500,000)
At 31 December 2018	181,918	34,221	506,785	722,924

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 2 December 2020.

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 with the exception of IFRS 16 Leases. The adoption of IFRS 16 has been applied prospectively to leases in effect at the date of adoption.

The Company has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB), as adopted by the EU, that are mandatorily effective for the year ending 31 December 2019. Where the changes affect the Company, the relevant application and disclosure has been made during the year to 31 December 2019. The new and amended IFRSs during the year are as detailed below :

- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

With the exception of IFRS 16, the application of the above standards and amendments did not have any material impact on the company's financial statements.

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the company's accounting period beginning on or after 1 January 2020 or later periods, but the company had not early adopted them :

- References to Conceptual Framework in IFRS Standards (1 January 2020)
- IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform (1 January 2020)
- IFRS 9 Financial Instruments - Interest Rate Benchmark Reform (1 January 2020)
- IAS 1 Presentation of Financial Statements - Definition of Material (1 January 2020) and Classification of Liabilities as Current or Non-current (1 January 2022)
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (1 January 2020)
- IAS 39 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform (1 January 2020)

It is not anticipated that the application of the above standards or amendments will have any material impact on the company's financial statements

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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 EU - adopted International Financial Reporting Standards ("IFRS").

The company is a qualifying entity for the purposes of FRS 101. Note 25 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 2019 is £1:\$1.3245 (2018 - £1:\$1.2754)

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 paragraph 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.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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. The Strategic Report also outlines the company's financial risk management policies.

Since December 31, 2019, the global economy and the energy industry have been deeply impacted by the effects of the coronavirus 2019 (COVID-19) pandemic and related governmental action. Significantly reduced demand and over supply has created uncertainty in the oil markets and resulted in historic oil price decline. The company responded quickly by closing the office, implementing work-from-home processes and stringent operational protocols. As the company evaluates the remainder of 2020 under prolonged effects of COVID-19 pandemic, there are a number of fundamental uncertainties. The immediate course of action for the company is to actively reduce cost structure, protect the balance sheet and prudently manage operations to preserve cash flow. The current crisis is still evolving and may materially affect the company's results in a manner that is not currently known or that the company does not currently consider to be a significant risk to the business.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Basis of consolidation

As a wholly owned subsidiary of Apache 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 2019 have had a material effect on the financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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 deferred income 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.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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.

Fixed 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.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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.

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.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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 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 in the period in which the event or condition that triggers them arises.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

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.

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.

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial instruments

Initial recognition

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

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

Classification

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

Derecognition

Financial assets

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

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

Defined contribution pension obligation

The company operates a defined benefit pension scheme (closed to new entrants), and a defined contribution scheme is operated by another group company. For the defined contribution scheme, contributions are charged in the Statement of Profit or Loss of that company as they become payable in accordance with the rules of the scheme.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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.

Critical accounting estimates and assumptions

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

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.

Decommissioning of oil and gas properties

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.

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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

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. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable 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.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Revenue

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

	2019 \$ 000	2018 \$ 000
Sale of petroleum products	<u>721,416</u>	<u>843,412</u>

The company has two major customers who contributed 50% (\$358 million) and 50% (\$358 million) of its oil revenue in the 2019 financial year. In 2018, two major customers contributed 50% (\$418 million) and 50% (\$418 million) of the company's oil revenue.

5 Operating profit

Arrived at after charging:

	2019 \$ 000	2018 \$ 000
Depreciation expense	156,236	186,353
Foreign exchange (gains)/losses	1,903	(1,055)
Finance lease charges	4,146	2,206
Impairment loss on intangible assets	-	12,799
Gain on disposal of intangible assets	<u>(872)</u>	<u>(1,899)</u>

The 2018 Finance lease charges represent the company's share of the cost of leasing offices. Due to the application of IFRS 16, the 2019 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

	2019 \$ 000	2018 \$ 000
Audit of the financial statements	<u>164</u>	<u>148</u>
Other fees to auditors		
All other tax advisory services	6	12
All other assurance services	<u>50</u>	<u>40</u>
	<u>56</u>	<u>52</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Directors' remuneration

In both years the directors were remunerated by another Apache group company, with management charges being passed on as appropriate. In 2019 one director (2018: one) received remuneration, amounting to \$732,000 (2018 - \$637,000) representing overall compensation in respect of his services to Apache North Sea Limited. This includes \$31,500 in respect of employer's pension contributions (2018 - \$23,800).

During the year no director (2018 - no director) exercised stock options.

The emoluments of the highest paid director was \$732,000 (2018: \$637,000) and the company paid \$31,500 (2018: \$23,800) 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

	2019 \$ 000	2018 \$ 000
Interest income on bank deposits	131	2,739
Pension - other finance income	5,801	5,891
Interest income on intercompany loans	33,061	61,145
	<u>38,993</u>	<u>69,775</u>

10 Finance costs

	2019 \$ 000	2018 \$ 000
Interest cost on intercompany loans	35,555	35,728
Pension - other finance costs	5,137	5,284
Other finance costs	403	3,241
Accretion expense on decommissioning liability	38,198	38,847
Interest expense on leases - Other	5,845	-
	<u>85,138</u>	<u>83,100</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Tax on profit on ordinary activities

Tax charged/(credited) in the income statement

	2019 \$ 000	2018 \$ 000
Current taxation		
UK corporation tax	133,061	185,177
UK corporation tax adjustment to prior periods	(672)	989
	<u>132,389</u>	<u>186,166</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(47,124)	(89,548)
Offset against pension liabilities	1,407	460
Attributable to true-up of prior year balances	(1,772)	(1,789)
Total deferred taxation	<u>(47,489)</u>	<u>(90,877)</u>
Tax expense in the income statement	<u>84,900</u>	<u>95,289</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 30% (2018 - 30%).

The differences are reconciled below:

	2019 \$ 000	2018 \$ 000
Profit before tax	<u>240,808</u>	<u>330,474</u>
Corporation tax at standard rate	72,242	99,142
Expenses not subject to tax	2,014	1,939
Income taxed at different rates	304	(2,960)
Net effect of supplementary charge and field allowances	19,522	17,502
Group relief received for no compensation	526	(969)
Net benefit on disposal of fixed assets	362	(21,630)
Other	(7,627)	3,066
True-up of prior year amounts	<u>(2,443)</u>	<u>(801)</u>
Total tax charge	<u>84,900</u>	<u>95,289</u>

Upstream oil and gas production activities are taxed at a UK corporation tax rate of 30% (2018: 30%) plus a supplementary charge of 10% (2018: 10%) giving an overall statutory rate of 40% (2018: 40%).

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Tax on profit on ordinary activities (continued)

Amounts recognised in Other Comprehensive Income

	2019			2018		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Remeasurements of post employment benefit obligations (net)	<u>4,719</u>	<u>(1,888)</u>	<u>2,831</u>	<u>(1,818)</u>	<u>728</u>	<u>(1,090)</u>

Deferred tax liabilities

Deferred tax liabilities are made up as follows:

	2019 \$ 000	2018 \$ 000
Accelerated capital allowances	438,364	506,062
Decommissioning provision	(235,654)	(256,497)
Other timing differences	(16,471)	(16,523)
Right of Use Assets	39,081	-
Lease Liability	<u>(41,174)</u>	<u>-</u>
	<u>184,146</u>	<u>233,042</u>

Deferred tax provision	2019 \$ 000	2018 \$ 000
Opening balance	233,042	324,379
Charged during the year	<u>(48,896)</u>	<u>(91,337)</u>
Closing balance	<u>184,146</u>	<u>233,042</u>

12 Intangible assets

	Exploration expenditure \$ 000	Total \$ 000
Cost		
Additions	<u>1,223</u>	<u>1,223</u>
At 31 December 2019	<u>1,223</u>	<u>1,223</u>
Carrying amount		
At 31 December 2019	<u>1,223</u>	<u>1,223</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Right of use assets

	Transport \$ 000	Machinery \$ 000	Property \$ 000	Total \$ 000
Cost or valuation				
At 1 January 2019	83,324	550	38,710	122,584
Additions	3,827	14	-	3,841
Disposals	(1,798)	(107)	(53)	(1,958)
Modifications	6,495	-	425	6,920
At 31 December 2019	91,848	457	39,082	131,387
Depreciation				
Charge for the year	51,111	422	5,723	57,256
Eliminated on disposal	(23,257)	(109)	(205)	(23,571)
At 31 December 2019	27,854	313	5,518	33,685
Carrying amount				
At 31 December 2019	63,994	144	33,564	97,702

14 Property, plant and equipment

	Oil and gas assets \$ 000	Other tangibles \$ 000	Total \$ 000
Cost or valuation			
At 1 January 2019	7,506,014	58,234	7,564,248
Additions	72,735	1,560	74,295
Disposals	-	(109)	(109)
Decommissioning movement	(90,304)	-	(90,304)
At 31 December 2019	7,488,445	59,685	7,548,130
Depreciation			
At 1 January 2019	6,250,732	45,363	6,296,095
Charge for the year	152,093	4,142	156,235
Eliminated on disposal	-	(1,317)	(1,317)
At 31 December 2019	6,402,825	48,188	6,451,013
Carrying amount			
At 31 December 2019	1,085,620	11,497	1,097,117
At 31 December 2018	1,255,282	12,871	1,268,153

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Property, plant and equipment (continued)

The 2019 decommissioning provision was revised downwards to reflect changes in the timing and costs associated with the decommissioning of the company's oil and gas assets.

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 2019 financial statements, the company conducted the review and due to an overall decrease in Proved and Probable reserves prompted an assessment of impairment. The results of this assessment concluded that no impairment of assets were required in 2019.

15 Investments

Subsidiaries	\$ 000
Cost	
At 31 December 2018 and 31 December 2019	-
Provision	
At 31 December 2018 and 31 December 2019	-
Carrying amount	
At 31 December 2018 and 31 December 2019	-

Details of the subsidiaries, and related undertakings, as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation Registered office	Proportion of ownership interest and voting rights held	
			2019	2018
Apache UK Pension Trustee Limited *	Pension funding	United Kingdom 27-28 Eastcastle Street, London W1W 8DH	100%	100%

* indicates direct investment of the company.

16 Inventory

	2019	2018
	\$ 000	\$ 000
Raw materials and consumables	54,342	54,802

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

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Trade and other receivables

	2019 \$ 000	2018 \$ 000
Trade receivables	51,762	70,078
Receivables from group undertakings	1,070,176	1,007,041
Deferred income	28,408	-
Prepayments	3,314	3,640
Other receivables	5,361	6,970
Total current trade and other receivables	<u>1,159,021</u>	<u>1,087,729</u>

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 of \$1,068,969,000 currently bear interest at rates varying from 1.59% to 4.69%, with the rate depending on the terms of the loan agreement in place with each of the group companies.

18 Trade and other payables

	2019 \$ 000	2018 \$ 000
Trade payables	7,706	6,739
Accrued expenses	38,371	23,210
Amounts due to group undertakings	639,018	758,774
Corporation tax liability	29,787	45,373
Overlifted oil	-	397
	<u>714,882</u>	<u>834,493</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Trade and other payables (continued)

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, including maturity analysis, related to trade and other payables is disclosed in the financial risk management section in the Strategic Report.

The intercompany loans currently bear interest at rates varying from 0% to 4.92%, with the rate depending on the terms of the loan agreement in place with each of the group companies.

19 Provisions

	Decommissioning \$ 000	Total \$ 000
At 1 January 2019	636,751	636,751
(Decrease) in existing provisions	(90,589)	(90,589)
Increase due to passage of time or unwinding of discount	<u>38,198</u>	<u>38,198</u>
At 31 December 2019	<u>584,360</u>	<u>584,360</u>

At 31 December 2019, the provision for the costs of decommissioning the company's oil and natural gas production facilities at the end of their economic lives was \$589,136,000 (2018 - \$641,241,000). These costs are expected to be incurred in the years 2020 - 2041. The provision has been estimated using existing technology, at current prices inflated at a rate of 1.5% and discounted using a rate of 6%.

The decommissioning costs estimated to be incurred in 2020 amounting to \$4.8 million have been included in accrued expenses in Note 18.

20 Called up share capital

Allotted, called up and fully paid shares

	No. 000	2019 \$ 000	No. 000	2018 \$ 000
Ordinary shares of £1 each	<u>108,125</u>	<u>181,918</u>	<u>108,125</u>	<u>181,918</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

21 Leases

Leases included in creditors

	31 December 2019 \$ 000
Current portion of long term lease liabilities	41,830
Long term lease liabilities	<u>61,104</u>

Lease liabilities maturity analysis

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

	31 December 2019 \$ 000
Less than one year	41,830
2 years	20,962
3 years	16,746
4 years and over	<u>23,396</u>
Total lease liabilities (undiscounted)	<u>102,934</u>

Total cash outflows related to leases

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

	31 December 2019 \$ 000
Payment	
Right of use assets	54,681
Interest	<u>5,424</u>
Total cash outflow	<u>60,105</u>

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).

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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 2019 (2018 - \$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 2019 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 2019 and updated to 31 December 2019. 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 2019. 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 2019 financial statements, in respect of the Plan.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

22 Retirement benefit obligations (continued)

Contributions payable to the pension scheme at the end of the year are \$232,000 (2018 - \$224,000). 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 \$5,755,000.

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.

Following the year end, there have been significant movements in financial markets precipitated by, amongst other things, the outbreak of the COVID-19 virus. While there remains considerable uncertainty, these movements could potentially impact the Plan.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2019 \$ 000	31 December 2018 \$ 000
Fair value of scheme assets	228,100	207,791
Present value of scheme liabilities	<u>(199,206)</u>	<u>(187,133)</u>
	28,894	20,658
Related deferred tax (liability)	<u>(11,558)</u>	<u>(8,263)</u>
Defined benefit pension scheme surplus	<u>17,336</u>	<u>12,395</u>

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.

Scheme assets

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

	2019 \$ 000	2018 \$ 000
Fair value at start of year	207,791	237,621
Return on plan assets, excluding amounts included in interest income	19,903	(12,286)
Interest income	5,801	5,891
Effect of changes in foreign exchange rates	8,502	(12,851)
Employer contributions	4,567	5,125
Benefit payments from plan assets	<u>(18,464)</u>	<u>(15,709)</u>
Fair value at end of year	<u>228,100</u>	<u>207,791</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

22 Retirement benefit obligations (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2019 \$ 000	2018 \$ 000
Cash and cash equivalents	657	1,425
Equity instruments	51,946	45,597
Debt instruments	175,497	160,769
	<u>228,100</u>	<u>207,791</u>

Equity instruments for 2019

Equity instruments for 2019 can be further categorised as follows:

	2019 \$ 000	2018 \$ 000
Quoted		
Overseas quoted equities	<u>51,946</u>	<u>45,597</u>

Actual return on scheme's assets

	2019 \$ 000	2018 \$ 000
Actual return on scheme assets	<u>25,704</u>	<u>(6,395)</u>

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:

	2019 \$ 000	2018 \$ 000
Present value at start of year	187,133	216,295
Current service cost	2,813	3,360
Actuarial gains and losses arising from changes in financial assumptions	24,705	(11,302)
Actuarial gains and losses arising from experience adjustments	(4,681)	834
Effect of changes in foreign exchange rates	7,403	(11,629)
Interest expense	5,137	5,284
Benefit payments from plan assets	(18,464)	(15,709)
Effect of changes in demographic assumptions	<u>(4,840)</u>	<u>-</u>
Present value at end of year	<u>199,206</u>	<u>187,133</u>

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

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 statement of financial position date are as follows:

	2019 %	2018 %
Discount rate	2.10	2.90
Future salary increases	4.50	4.70
Future pension increases	2.90	3.00
Inflation	3.00	3.20

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	27.30	28.00
Current UK pensioners at retirement age - female	29.30	30.20
Future UK pensioners at retirement age - male	28.80	29.90
Future UK pensioners at retirement age - female	30.90	32.20

Amounts recognised in statement of profit or loss

	2019 \$ 000	2018 \$ 000
Amounts recognised in operating profit		
Current service cost	2,813	3,360
Amounts recognised in finance income or costs		
Net interest	(664)	(607)
Effect of changes in foreign currency exchange rates	(1,099)	1,222
Recognised in other finance cost	(1,763)	615
Total recognised in the statement of profit or loss	1,050	3,975

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

22 Retirement benefit obligations (continued)

Amounts taken to the Statement of Comprehensive Income

	2019	2018
	\$ 000	\$ 000
Effect of changes in demographic assumptions	4,840	-
Actuarial gains and losses arising from experience adjustments	4,681	(833)
Return on plan assets	19,903	(12,286)
Changes in financial assumptions	(24,705)	11,302
Deferred tax	(1,888)	727
Amounts recognised in the Statement of Comprehensive Income	<u>2,831</u>	<u>(1,090)</u>

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

22 Retirement benefit obligations (continued)

Sensitivity analysis

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

	2019		2018	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	%	%	%	%
Adjustment to discount rate				
Present value of total obligation	(5.00)	5.40	(4.70)	5.10
	2019		2018	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	%	%	%	%
Adjustment to rate of inflation				
Present value of total obligation	5.20	(4.80)	3.50	(3.30)
	2019		2018	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	%	%	%	%
Adjustment to rate of salary growth				
Present value of total obligation	0.50	(0.50)	0.70	(0.60)

The weighted average duration of the defined benefit obligation at 31 December 2019 is 21 years (2018: 20 years).

Maturity analysis of benefit payments

	Between 1-2 years \$ 000	Between 2-5 years \$ 000	Between 5-10 years \$ 000	Total \$ 000
2019	5	16	38	59
2018	4	16	23	43

23 Dividends

No dividend was paid in 2019. A dividend was paid to Apache UK Corporation LDC of \$1.5 billion (\$13.87 per share) on 20 December 2018.

The notes on pages 19 to 46 form an integral part of these financial statements.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was \$30,337,000 (2018 - \$8,170,000).

Other financial commitments

The total amount of other financial commitments not provided in the financial statements was \$20,954,000 (2018 - \$17,359,000).

25 Parent and ultimate parent undertaking

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

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

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

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

26 Non adjusting events after the financial period

Since December 31, 2019, the global economy and the energy industry have been deeply impacted by the effects of the coronavirus disease 2019 (COVID-19) pandemic and related governmental action. Uncertainty in the oil markets were amplified late in the first quarter of 2020 as the negative demand implications of the rapidly spreading COVID-19 pandemic became more apparent and the Organisation of the Petroleum Exporting Countries (OPEC) and its additional partner countries failed to reach consensus on a supply response. The impacts to oil supply and demand resulted in historic oil price declines. Apache Corporation responded quickly taking a number of decisive actions including;

- Established primary initiatives to prioritise the health and safety of the Company's employees and communities in which Apache operates, including closing the office, implementing work-from-home processes and stringent operational protocols and initiating contingency plans to ensure continuity in the event of a more sustained impact
- Reduced planned activity in the North Sea
- Implemented deeper cost cutting measures as part of the corporate redesign and organisational initiatives.

Apache North Sea Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

As the Company evaluates the remainder of 2020 under prolonged effects of COVID-19 pandemic, there are a number of fundamental uncertainties. Key among these concerns is the timing and magnitude of worldwide demand recovery and worldwide supply resources. For Apache Corporation, the immediate course of action is to actively reduce its cost structure, protect its balance sheet and prudently manage operations to preserve cash flow. The current crisis, however, is still evolving and may become more severe and complex. The COVID-19 pandemic may also materially adversely affect the Company's results in a manner that is either not currently known or that the Company does not currently consider to be a significant risk to the business.

Subsequent to year end, letters of credit were issued to support North Sea decommissioning obligations of the Company. As of September 30, 2020, an aggregate £637 million in letters of credit was outstanding. As the event occurred after year end, no adjustment has been made to reflect this in these sets of financial statements.