

Registration number: 7720972

Apache North Sea Production Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Apache North Sea Production Limited

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Apache North Sea Production Limited

Company Information

Directors	J W Sauer
	S Greig
	R J J Chelte
	T R Custer
	K H Neupert
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 Production 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

The company's principal activity was the provision of services to companies within the group.

The company recharges its personnel costs to other group companies at an agreed mark-up whilst non-personnel costs are recharged with no mark-up, as they are already at market value. From 1 January 2018, the company adopted IFRS 15 Revenue from Contracts with Customers and this has resulted in changes to the recognition of revenues. These changes are detailed in Note 2 Accounting policies for revenue recognition.

During 2019, the company increased Revenue by 6% to £101,252,000 (2018 £95,734,000) and Operating Profit by £19,944,000 mainly due to Foreign Exchange Gains. Profit After Tax in the year was £13,865,000 (2018 - profit of £1,683,000). The Directors do not recommend a dividend.

Key performance indicators

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

Principal risks and uncertainties

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

Future developments

In recent years the company's parent, Apache Corporation has streamlined its portfolio through strategic divestures and began centralising certain operational activities in an effort to capture greater efficiencies and cost savings through shared services. With falling prices during the second half of 2019, management initiated a comprehensive redesign of Apache's organisational structure and operations. Initial reorganizational efforts were substantially completed for the technical functions by the end of the first quarter and changes for the corporate support functions will be ongoing through most of 2020. This may have an impact on the personnel within and services provided by the company. However given the nature of the company's activities and recharging agreement, the directors anticipate continuing profitability.

Since December 31, 2019, the global economy has been deeply impacted by the effects of the coronavirus 2019 (COVID-19) pandemic and related governmental action. 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.
- 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.

Apache North Sea Production Limited

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

Section 172 statement

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

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

- The likely consequences of any decision in the long term

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. 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 throughout most of 2020. Changes in Apache's Board of Directors in April 2020, are aligned with this reorganisation.

- Engagement with Workforce

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. These employees 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 directors of Apache North Sea Production Limited engage with the workforce throughout the year using a number of communication routes.

- Quarterly Employee Communication Forums where Representatives on behalf of the offshore and onshore employee community meet with Management to respond to employee matters
- Annual Employee Engagement Survey sent to all Apache employees to solicit feedback on a number of key performance indicators. The output from the survey provides valuable data to make informed decisions and opportunities that enhance the employee experience. One such initiative is the Apache Communication Leadership Council, who meet regularly to provide input on communication topics.
- Quarterly Townhalls are held in the office and streamed offshore allowing Regional Management and Corporate Executives to present performance and progress towards Corporate Goals.
- The Trustees of the Defined Benefits Pension include employee members who administer the Apache UK Defined Benefits Pension Plan
- Statutory Reporting confirms to the directors that Apache is in compliance with UK Gender Pay Gap and the Modern Slavery Act directives
- Since the announcement of the reorganisation, the Executive Committee have been effective in communicating the strategy, timeline and process through Townhalls, videos, Q&A's and email announcements.

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 organisation.

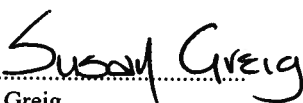
Apache North Sea Production Limited

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

- **Code of Business Conduct**

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.

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


.....
S Greig
Director

Apache North Sea Production 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

The following directors were appointed after the year end:

S Greig (appointed 1 April 2020)

R J J Chelte (appointed 1 April 2020)

T R Custer (appointed 1 April 2020)

K H Neupert (appointed 1 April 2020)

Employment of disabled persons

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

Going concern

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

Political donations

The company made no political donations during 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.

Reappointment of auditors

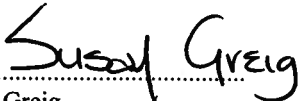
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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.

Apache North Sea Production Limited

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

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


.....
S Greig
Director

Apache North Sea Production Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Strategic Report, 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 Production Limited

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

Opinion

We have audited the financial statements of Apache North Sea Production Limited (the "company") for the year ended 31 December 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 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the 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. 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 18 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 personnel working circumstances. 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 Production Limited

Independent Auditor's Report to the Members of Apache North Sea Production 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 7), 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 Production Limited

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

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

	Note	2019 £ 000	2018 £ 000
Revenue	4	101,252	95,734
Cost of sales		<u>(77,402)</u>	<u>(91,776)</u>
Gross profit		23,850	3,958
Administrative expenses		<u>(87)</u>	<u>(139)</u>
Operating profit	5	<u>23,763</u>	<u>3,819</u>
Finance income	9	1	1
Finance costs	10	<u>(28)</u>	<u>(2)</u>
		<u>(27)</u>	<u>(1)</u>
Profit before tax		23,736	3,818
Tax charge on profit on ordinary activities	11	<u>(9,871)</u>	<u>(2,135)</u>
Profit for the year		<u><u>13,865</u></u>	<u><u>1,683</u></u>

The above results were derived from continuing operations.

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019	2018
	£ 000	£ 000
Profit for the year	<u>13,865</u>	<u>1,683</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>13,865</u></u>	<u><u>1,683</u></u>

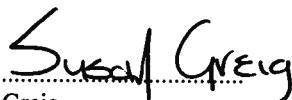
Apache North Sea Production Limited

(Registration number: 7720972)

Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Non-current assets			
Deferred tax	11	4,619	2,195
Current assets			
Trade and other receivables	12	86,706	71,982
Cash and cash equivalents		<u>1,440</u>	<u>714</u>
		88,146	72,696
Creditors: Amounts falling due within one year	13	<u>(39,301)</u>	<u>(35,292)</u>
Net current assets		<u>48,845</u>	<u>37,404</u>
Net assets		<u>53,464</u>	<u>39,599</u>
Capital and reserves			
Retained earnings		<u>53,464</u>	<u>39,599</u>
Total shareholders' funds		<u>53,464</u>	<u>39,599</u>

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



 S Greig
 Director

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

	Retained earnings £ 000	Total £ 000
At 1 January 2019		
Profit for the year	39,599	39,599
Other comprehensive income	13,865	13,865
Total comprehensive income	-	-
At 31 December 2019	13,865	13,865
	53,464	53,464

	Retained earnings £ 000	Total £ 000
At 1 January 2018		
Profit for the year	37,916	37,916
Other comprehensive income	1,683	1,683
Total comprehensive income	-	-
At 31 December 2018	1,683	1,683
	39,599	39,599

The notes on pages 15 to 33 form an integral part of these financial statements.
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Apache North Sea Production Limited

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

1 General information

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

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

These financial statements were authorised for issue by the Board on 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.

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
- IAS 19 Employee Benefits - Plan amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

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 Production 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 17 gives details of the company's ultimate parent and from where consolidated financial statements within which the company is included may be obtained.

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

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

Going concern

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

Since December 31, 2019, the global economy has been deeply impacted by the effects of the coronavirus 2019 (COVID-19) pandemic and related governmental action. The company responded quickly by closing the office, implementing work-from-home processes and initiating contingency plans to ensure continuity in the event of a more sustained impact. 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 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.

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production 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 provision of services to other group companies. This revenue is recognised in the accounting period when the services are provided.

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

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

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

Principal versus agent

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

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

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

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

For the provision of personnel services, where the company is acting as a principal, revenue is recorded on a gross basis. This is the same accounting treatment as prior years.

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

Transaction price

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

Apache North Sea Production Limited

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

2 Accounting policies (continued)

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).

Foreign currency transactions and balances

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

Tax

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

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

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

Cash and cash equivalents

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

Trade receivables

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

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

Trade and other payables

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

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

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

2 Accounting policies (continued)

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.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the Statement of Profit or Loss as they become payable in accordance with the rules of the scheme.

Apache Retirement Choices Pension Plan commenced in 2019, which provided to consolidate the existing Apache Group Pension Plan into the Apache Retirement Choices Plan. In relation to the group personal pension scheme and to the retirement choices plan, the company contributed £5,223,000 during the year to 31 December 2019 (2018 - £4,680,000).

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

Share based payments

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

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions, and behavioural considerations.

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

Financial instruments

Initial recognition

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

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

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

2 Accounting policies (continued)

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.

3 Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting estimates and assumptions

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

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

Share based payment

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

Apache North Sea Production Limited

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

4 Revenue

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

	2019 £ 000	2018 £ 000
Rendering of services	<u>101,252</u>	<u>95,734</u>

5 Operating profit

Arrived at after charging

	2019 £ 000	2018 £ 000
Foreign exchange (gains)/losses	<u>(9,957)</u>	<u>11,094</u>

6 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>29</u>	<u>35</u>
Other fees to auditors		
All other tax advisory services	<u>48</u>	<u>29</u>

7 Directors' remuneration

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

8 Staff costs

The aggregate payroll costs were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	66,292	62,444
Social security costs	7,390	6,551
Pension costs	7,176	6,855
Share-based payment expenses	<u>10,443</u>	<u>12,009</u>
	<u>91,301</u>	<u>87,859</u>

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

8 Staff costs (continued)

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

	2019 No.	2018 No.
Onshore	202	193
Offshore	421	382
	<u>623</u>	<u>575</u>

9 Finance income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	<u>1</u>	<u>1</u>

10 Finance costs

	2019 £ 000	2018 £ 000
Other finance costs	<u>28</u>	<u>2</u>

11 Tax on profit on ordinary activities

Tax charged in the statement of profit or loss

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax charge on profit for the year	8,258	3,159
UK corporation tax charge in respect of previous years	<u>4,038</u>	<u>540</u>
	<u>12,296</u>	<u>3,699</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(2,425)	(1,631)
Attributable to true-up of prior year balances	<u>-</u>	<u>67</u>
Total deferred taxation	<u>(2,425)</u>	<u>(1,564)</u>
Tax expense in the statement of profit or loss	<u>9,871</u>	<u>2,135</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:

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

11 Tax on profit on ordinary activities (continued)

	2019 £ 000	2018 £ 000
Profit before tax	23,736	3,818
Corporation tax at standard rate	7,121	1,146
Income taxed at different rates	(1,101)	-
Net impact of supplementary charge	1,458	382
Group relief surrendered for no compensation	(1,902)	-
True-up of prior year amounts	4,038	607
Other	257	-
Total tax charge	9,871	2,135

Due to an administrative change in interpretation by Her Majesty's Revenue and Customs Agency as to the taxation of related parties providing services to group companies engaged in upstream oil and gas activities agreed in late 2018, the company is taxed at a combined 40% tax rate.

Deferred tax asset

The deferred tax asset is made up as follows:

	2019 £ 000	2018 £ 000
Other timing differences	4,619	2,195
	4,619	2,195
Deferred tax provision	2019 £ 000	2018 £ 000
Opening balance	2,195	632
Charged during the year	2,424	1,563
Closing balance	4,619	2,195

12 Trade and other receivables

	31 December 2019 £ 000	31 December 2018 £ 000
Receivables from related parties	84,078	67,173
Other receivables	2,628	4,809
	86,706	71,982

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

13 Creditors: Amounts falling due within one year

	31 December 2019 £ 000	31 December 2018 £ 000
Trade and other payables	15,770	20,088
Accrued expenses	9,035	12,039
Amounts due to related parties	4,432	1,309
Social security and other taxes	2,871	1,856
Income tax liability	7,193	-
	<u>39,301</u>	<u>35,292</u>

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

14 Called up share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

15 Share-based payments

Stock Compensation Plans

General overview

As of 31 December 2019, the ultimate parent undertaking, Apache Corporation, has several stock-based compensation plans which include stock options, restricted stock and conditional restricted stock unit plans, in which employees of Apache North Sea Production Limited are eligible to participate. These include the 2016 Omnibus Compensation Plan (the 2016 Plan), which is intended to provide eligible employees with equity-based incentives. The 2016 Plan provides for the granting of Incentive Stock Options, Non-Qualified Stock Options, Performance Awards, Restricted Stock Awards, Restricted Stock Units, Stock Appreciation Rights, Cash Awards, or any combination of the foregoing. Previously approved plans remain in effect solely for the purpose of governing grants still outstanding that were issued prior to the approval of the 2016 Plan. All new grants are issued from the 2016 Plan. In 2018, Apache Corporation began issuing cash-settled awards (phantom units) under the restricted stock and conditional restricted stock unit plans. The phantom units represent a hypothetical interest in Apache Corporation's stock and, once vested, are settled in cash. The compensation expense related to the phantom stock units is classified as a liability and re-measured at the end of each reporting period over the vesting terms.

Costs related to the plans are capitalised or expensed based on the nature of each employee's activities. The overall cost of stock based compensation in 2019 was £10,442,000 (2018 - £12,009,000). This cost is for all stock compensation plans available to employees of Apache North Sea Production Limited.

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

Apache North Sea Production Limited

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

15 Share-based payments (continued)

Stock Options

Scheme details and movements

As of 31 December 2019, employees held options to purchase shares of Apache Corporation's common stock under the 2007 Omnibus Equity Compensation Plan, the 2011 Omnibus Equity Compensation Plan (2011 Plan), and the 2016 Plan (together, the Omnibus Plans). New shares of Apache Corporation common stock will be issued for employee stock option exercises. Under the Omnibus Plans, the exercise price of each option equals the closing price of Apache Corporation's common stock on the date of grant. Options issued prior to 2016 generally become exercisable rateably over a four-year period and expire ten years after granted. Options granted in or after 2016 become exercisable rateably over a three-year period and expire ten years after granted. The Omnibus Plans were submitted to and approved by Apache Corporation's shareholders.

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

	31 December 2019 Number 000	31 December 2018 Number 000
Outstanding, start of period	182	197
Granted during the period	-	20
Forfeited during the period	3	(7)
Exercised during the period	-	(1)
Expired during the period	(39)	(27)
Outstanding, end of period	<u>146</u>	<u>182</u>

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

	31 December 2019 \$	31 December 2018 \$
Outstanding, start of period	84.46	91.30
Granted during the period	-	49.90
Forfeited during the period	171.87	109.36
Exercised during the period	-	51.41
Expired during the period	90.85	102.68
Outstanding, end of period	<u>84.30</u>	<u>84.46</u>

Outstanding Stock Options

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

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

15 Share-based payments (continued)

(1) options outstanding had a weighted average remaining contractual life of 3.1 years (2018 - 3.4 years) and no intrinsic value (2018 - \$nil)

(2) 13,000 options expected to vest (2018 - 26,000) had a weighted average remaining contractual life of 7.9 years (2018 - 8.5 years) and no intrinsic value (2018 - \$nil)

(3) 133,000 options exercisable (2018 - 157,000) had a weighted average remaining contractual life of 2.6 years (2018 - 2.6 years) and no intrinsic value (2018 - \$nil)

Fair value of Stock Options granted

The weighted average fair value of options granted during the year was \$0.00 - (2018 - \$14.56).

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model, a Level 2 fair value measurement.

Stock-settled Restricted Stock Units

Scheme details and movements

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

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

	31 December 2019 Number 000	31 December 2018 Number 000
Outstanding, start of period	251	447
Granted during the period	30	23
Forfeited during the period	(3)	(24)
Exercised during the period	(126)	(195)
Outstanding, end of period	<u>152</u>	<u>251</u>

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

	31 December 2019 \$	31 December 2018 \$
Outstanding, start of period	55.92	55.47
Granted during the period	25.92	48.68
Forfeited during the period	48.48	55.39
Exercised during the period	49.82	54.09
Outstanding, end of period	<u>55.16</u>	<u>55.92</u>

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

15 Share-based payments (continued)

Outstanding Stock-settled Restricted Stock Units

The weighted average remaining life of unvested stock-settled restricted stock units is 0.4 years (2018 - 0.5 years).

As of 31 December 2019, there was \$0.8 million (2018 - \$4.4 million) of total unrecognised compensation cost related to 152,000 (2018 - 251,000) unvested stock-settled restricted stock units.

Cash-settled Restricted Stock Phantom Units

Scheme details and movements

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

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

	31 December 2019 Number 000	31 December 2018 Number 000
Outstanding, start of period	226	15
Granted during the period	420	232
Forfeited during the period	(17)	(13)
Exercised during the period	(78)	(8)
Outstanding, end of period	<u>551</u>	<u>226</u>

Outstanding Cash-settled Restricted Stock Phantom Units

The outstanding liability for the unvested cash-settled restricted stock phantom units as at 31 December 2019 was approximately \$7 million (2018 - \$3.3 million).

Apache North Sea Production Limited

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

15 Share-based payments (continued)

Stock-settled Conditional Restricted Stock Units

Scheme details and movements

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

Apache North Sea Production Limited

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

15 Share-based payments (continued)

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

	31 December 2019 Number 000	31 December 2018 Number 000
Outstanding, start of period	21	28
Granted during the period	5	-
Forfeited during the period	-	(4)
Exercised during the period	(8)	(3)
Expired during the period	(5)	-
Outstanding, end of period	<u>13</u>	<u>21</u>

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

	31 December 2019 \$	31 December 2018 \$
Outstanding, start of period	50.92	53.02
Granted during the period	32.67	34.19
Forfeited during the period	-	50.11
Exercised during the period	46.34	66.63
Expired during the period	29.78	-
Outstanding, end of period	<u>52.85</u>	<u>50.92</u>

Outstanding Stock-settled Conditional Restricted Stock Units

The weighted average remaining life of unvested stock-settled conditional restricted stock units is 0.3 years (2018 - 0.8 years).

Grants from the performance programs outstanding at 31 December 2019 are as described below:

(1) In January 2016, Apache Corporation's Board of Directors approved the 2016 Performance Program, pursuant to the 2011 Plan. Eligible employees received initial stock-settled conditional restricted stock unit awards totalling 17,000 units. The results for the performance period ending 31 December 2019, yielded a payout of 100 percent of target. A total of 5,000 units were outstanding as of 31 December 2019 (2018 - 10,000).

(2) In January 2017, Apache Corporation's Board of Directors approved the 2017 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial stock-settled conditional restricted stock unit awards totalling 11,000 units. A total of 8,000 units were outstanding as of 31 December 2019 (2018 - 8,000). The results for the performance period yielded a payout of 54 percent of target.

As of 31 December 2019, there was \$58,000 (2018 - \$250,000) of total unrecognised compensation cost related to 13,000 (2018 - 21,000) unvested stock-settled conditional restricted stock units.

The notes on pages 15 to 33 form an integral part of these financial statements.

Apache North Sea Production Limited

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

15 Share-based payments (continued)

Fair value of Stock-settled Conditional Restricted Stock Units

The fair value cost of the stock-settled awards was estimated on the date of grant and is being recorded as compensation expense rateably over the vesting terms.

Cash-settled Conditional Restricted Stock Phantom Units

Scheme details and movements

In January 2018, Apache Corporation's Board of Directors approved the 2018 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional restricted stock phantom units, totalling 21,000 units.

In January 2019, Apache Corporation's Board of Directors approved the 2019 Performance Program, pursuant to the 2016 Plan. Eligible employees received initial cash-settled conditional restricted stock phantom units totalling 41,000 units. The actual amount of shares awarded will be between zero and 200 percent of target.

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

	31 December 2019 Number 000	31 December 2018 Number 000
Outstanding, start of period	19	-
Granted during the period	41	21
Forfeited during the period	(1)	(2)
Outstanding, end of period	<u>59</u>	<u>19</u>

Outstanding Cash-settled Conditional Restricted Stock Phantom Units

A total of 59,000 phantom units were outstanding as of 31 December 2019 (2018 – 19,000), from which a minimum of zero and a maximum of 118,000 phantom units could be awarded.

The outstanding liability for the unvested cash-settled conditional restricted stock units as of 31 December 2019 was approximately \$0.9 million (2018 - \$0.5 million).

Apache North Sea Production Limited

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

15 Share-based payments (continued)

Fair value of Cash-settled Conditional Restricted Stock Phantom Units

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

Share Incentive Plan

Scheme details

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

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

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

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

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

If employees leave the Apache Corporation group their Matching Shares will cease to be subject to the Plan. Matching Shares allocated to employees within the previous five years will be subject to income tax under PAYE and NICs. The actual cost of the Share Incentive Plan is recognised when Matching Shares are purchased. The cost in 2019 was £2.1 million (2018 - £2.0 million).

Apache North Sea Production Limited

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

16 Related party transactions

As the company was a wholly owned subsidiary of Apache UK Corporation LDC as at 31 December 2019, it has taken advantage of the exception given by paragraph 8 of the Financial Reporting Standard No 101 which allows exemption from disclosure of related party transactions with other group companies. The company has also taken advantage of the exception given by paragraph 8 of Financial Reporting Standard No 101 which allows exemption from disclosure of compensation for key management personnel.

17 Parent and ultimate parent undertaking

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

The ultimate parent is 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

18 Non adjusting events after the financial period

Since December 31, 2019, the global economy has been deeply impacted by the effects of the coronavirus 2019 (COVID-19) pandemic and related governmental action. 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.
- 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.