REGISTERED NUMBER: 05498467 (England and Wales)

VALHALLA OIL AND GAS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

HPCA Limited
Chartered Accountants
and Statutory Auditors
Station House
Connaught Road
Brookwood
Woking
Surrey
GU24 0ER

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for the year ended 31 December 2017

VALHALLA OIL AND GAS LIMITED

COMPANY INFORMATION
for the year ended 31 December 2017

DIRECTOR:	Mr H W Ashton
SECRETARY:	Aldlex Limited
REGISTERED OFFICE:	C/o Peachey and Co LLP 95 Aldwych LONDON WC2B 4JF
REGISTERED NUMBER:	05498467 (England and Wales)
AUDITORS:	HPCA Limited Chartered Accountants and Statutory Auditors Station House Connaught Road Brookwood Woking Surrey GU24 0ER

BALANCE SHEET
31 December 2017

	Notes	2017 £	2017 £	2016 £	2016 £
FIXED ASSETS					
Intangible assets	4		356,977		356,977
CURRENT ASSETS					
Debtors	5	1,600		128	
Cash at bank		19,484		8,424	
		21,084		8,552	
CREDITORS					
Amounts falling due within one year	6	1,438,298		1,356,679	
NET CURRENT LIABILITIES			(1,417,214)		(1,348,127)
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,060,237)		(991,150)
PROVISIONS FOR LIABILITIES	7		348,870		348,870
NET LIABILITIES			(1,409,107)		(1,340,020)
CAPITAL AND RESERVES					
Called up share capital			17,601,000		17,601,000
Retained earnings			(19,010,107)		(18,941,020)
SHAREHOLDERS' FUNDS			(1,409,107)		(1,340,020)

The financial statements have been prepared and delivered in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the director on 13 September 2018 and were signed by:

Mr H W Ashton - Director

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. STATUTORY INFORMATION

Valhalla Oil and Gas Limited is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The director has prepared the financial statements on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future and be able to meet its liabilities as they fall due. There are uncertainties that the director has had to consider which may cast doubt on the company's ability to continue as a going concern.

For the year ended 31 December 2017, the company incurred a loss of £69,087, and reported net current liabilities of £1,417,214 at that date although this includes £1,404,392 due to its parent company, Valhalla Oil and Gas AS. The director has prepared cash flow forecasts to the end of 2018 which show that the company is dependent on the support of its parent company in order to be able to meet its obligations for the foreseeable future. The director has received assurances from the parent company that it aims to provide the necessary financial support for the period until 31st July 2019 to enable the company to meet its liabilities as and when they fall due. Accordingly the director has concluded that it is appropriate that the financial statements continue to be prepared on the going concern basis.

Oil and gas assets
The company uses the successful efforts method of accounting for oil and gas operations, under which all license acquisitions, exploration and evaluation costs are capitalised within intangible assets and classified as exploration and evaluation costs. Directly attributable administration costs are capitalised where they relate to specific exploration activities. Costs incurred prior to obtaining the legal rights to explore an area are expensed to the Income Statement.

If commercial reserves are not discovered or licenses are relinquished, these exploration and evaluation assets are written off to the income statement. Amounts carried on the balance sheet are at each balance sheet date assessed for impairment.

If a project is sanctioned for development, the carrying values of the exploration and evaluation costs are transferred to tangible assets after assessment for impairment. These costs are amortised from the commencement of production on a unit of production basis.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

continued...

2. **ACCOUNTING POLICIES - continued**

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Revenue recognition
Oil and gas revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenues can be reliably measured. To date, the company has no revenue from oil and gas sales.

Joint ventures
The company contracts with others through unincorporated joint ventures to pursue its operations. All such arrangements are jointly controlled operations and the company accounts for its share of income, expenditure, assets and liabilities relating to that arrangement.

Impairment
The company's oil and gas assets are analysed into cash generating units 'CGU' for impairment review purposes, with exploration and evaluation ('E&E') asset impairment being performed at a grouped CGU level. The current CGU consists of the company's whole E&E portfolio. E&E assets are reviewed for impairment when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount. When reviewing E&E assets for impairment, the combined carrying value of the grouped CGU is compared with the grouped CGU's recoverable amount. The recoverable amount of a grouped CGU is determined at the higher of its fair value less costs to sell and value in use. Impairment losses resulting from an impairment review are written off to the income statement.

3. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was NIL (2016 - NIL).

4. **INTANGIBLE FIXED ASSETS**

	Exploration and Evaluation £
COST	
At 1 January 2017	
and 31 December 2017	356,977
NET BOOK VALUE	
At 31 December 2017	356,977
At 31 December 2016	356,977

continued...

4. INTANGIBLE FIXED ASSETS - continued

The net book value at 31 December 2017 relates to licences for which applications for lease undertakings have been made by the operator to the Petroleum Affairs Division of the Department of Communications, Climate Action and Environment ('PAD').

Prior to 2016 the level of impairment provision included in the valuation of the assets was based on the management of the Company's judgment of the estimated 'value in use' of the licences. Due to ongoing negotiations as to the future prospects of these licences, at the 2016 year end this was no longer considered to be an appropriate basis for the valuation of the licences as it now seems unlikely that the licences will be taken forward to the development stage within this company. The licences were written down to their estimated 'recoverable amount' reflecting the estimated level of consideration which could be received on transfer of these licences to a third party.

On 24th July 2017 the company entered into an agreement to transfer these licences to a fellow subsidiary undertaking. The transfer is not yet complete as approval has not been given by the PAD.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Amounts owed by group undertakings	1,600	-
VAT	-	128
	1,600	128

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Trade creditors	35	660
Amounts owed to group undertakings	1,404,392	1,335,819
VAT	2	-
Accrued expenses	33,869	20,200
	1,438,298	1,356,679

7. PROVISIONS FOR LIABILITIES

	2017	2016
	£	£
Other provisions		
Provisions	348,870	348,870

	Other provisions
	£
Balance at 1 January 2017	348,870
Balance at 31 December 2017	348,870

continued...

7. PROVISIONS FOR LIABILITIES - continued

The provision relates to the company's obligation for the decommissioning costs associated with the abandonment of the Schull and Old Head of Kinsale wells.

The fair value of the provision has been calculated each year end based on an independent third party report which was prepared for the operator in 2011.

On completion of the transaction agreed on 24th July 2017 to transfer the licences to a fellow subsidiary undertaking, the associated decommissioning obligations will also be transferred as part of the agreement. The value attributed to the licences to be transferred is therefore linked to the associated level of decommissioning provision which has been set for the purposes of these accounts at the 24th July 2017 figure. Accordingly no fair value adjustments have been made in the current year.

Should the agreed transaction not receive the required approval of the PAD for completion then the value of the decommissioning provision would need to be reassessed.

8. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Lance Redman (Senior Statutory Auditor)
for and on behalf of HPCA Limited

9. RELATED PARTY DISCLOSURES

At the year end, the company owed its parent company Valhalla Oil and Gas AS £1,404,392 (2016: £1,337,419) in respect of funding for the company's operations. A sister company, Valhalla Oil and Gas (Porcupine) Ltd. owed the company £1,600 (2016; £1,600).

As detailed in note 4, the company has agreed to transfer the interests in the licences held to fellow subsidiary Valhalla Oil and Gas (Porcupine) Limited for consideration of £1 representing the estimated fair value of the assets acquired.

Legal fees of £47,465 (2016: £23,605) were paid during the period to Peachey & Co. LLP, including £2,300 (2016: £6,550) for Mr Ashton's services as a director. Mr Ashton is a member of Peachey & Co. LLP.

10. ULTIMATE CONTROLLING PARTY

The immediate and ultimate parent company is considered to be Valhalla Oil and Gas AS, a company incorporated in Norway.