REGISTERED NUMBER: 07342946 (England and Wales)

VALHALLA OIL AND GAS (PORCUPINE) 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

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

VALHALLA OIL AND GAS (PORCUPINE) LIMITED

COMPANY INFORMATION
for the year ended 31 December 2017

DIRECTOR:	Mr H W Ashton
SECRETARY:	Aldlex Limited
REGISTERED OFFICE:	c/o Peachey & Co LLP 95 Aldwych London WC2B 4JF
REGISTERED NUMBER:	07342946 (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 £	2016 £
FIXED ASSETS			
Intangible assets	4	-	-
CREDITORS			
Amounts falling due within one year	5	797,395	795,795
NET CURRENT LIABILITIES		(797,395)	(795,795)
TOTAL ASSETS LESS CURRENT LIABILITIES		(797,395)	(795,795)
CAPITAL AND RESERVES			
Called up share capital		1,000	1,000
Retained earnings		(798,395)	(796,795)
SHAREHOLDERS' FUNDS		(797,395)	(795,795)

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 (Porcupine) 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 £1,600 and reported net liabilities of £797,395 at that date. 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, Valhalla Oil and Gas AS, 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 31 July 2019 to enable the company to meet its liabilities as and when they fall due. In particular Valhalla Oil and Gas AS has indicated that it will release under deed the £794,195 due to it from the company prior to the completion of the transfer of its interest in the FEL 01/04 licence. Such transfer would also reduce the future requirement for funds from the parent company. 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. **AUDITORS' REMUNERATION**

	2017	2016
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	800	800
Auditors' remuneration for non audit work	800	800

4. **INTANGIBLE FIXED ASSETS**

The company has exploration and evaluation assets relating to the costs capitalised in respect of the share held in an Offshore Irish licence in the Porcupine Basin (FEL 1/04). No amortisation has been charged as the licence is in the exploration phase.

On 24th July 2017 it was agreed that the company would assign all of its 38.5% interest in FEL 01/04 to Island Assets Porcupine Limited subject to the approval of the Petroleum Affairs Division of the Department of Communications, Climate Action & Environment ('PAD'). The carrying value of the licence has therefore been treated as fully impaired reflecting an estimate of the fair value of consideration to be received but the disposal has not yet been recognised pending such PAD approval which is required to complete the transaction.
Also on 24th July 2017, it was agreed that Valhalla Oil and Gas Limited (a fellow subsidiary undertaking) would assign all of its 20% interest in the Celtic Sea licence SEL 4/05 and all of its 25% interest in Celtic Sea licence SEL 5/05 to the company. These transactions are also subject to the approval of the PAD and have therefore not been recognised in the accounts for the year to 31 December 2017.

continued...

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Amounts owed to group undertakings	795,795	794,195
Accruals and deferred income	1,600	1,600
	797,395	795,795

6. 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

7. RELATED PARTY DISCLOSURES

At 31 December 2017 the company owed its parent company Valhalla Oil and Gas AS £794,195 (2016:£794,195) and fellow subsidiary Valhalla Oil and Gas Limited £1,600.

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

8. ULTIMATE CONTROLLING PARTY

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

On 24th July 2017 Valhalla Oil and Gas AS entered into an agreement to sell all of the shares in the company to St Stephen's Energy Limited, a company incorporated in Ireland. Completion of this transaction is subject to and conditional upon the company having procured and completed the transfer of the Celtic Sea licences referred to in note 4 from Valhalla Oil and Gas Limited, transactions which are awaiting the PAD approval.