



Venture Production plc Annual Report and Accounts 2003



Financial Highlights

Average annual production increased 53% to 13,310 barrels of oil equivalent per day (“boepd”) (2002: 8,681 boepd)

Turnover up 35% to £71.0 million (2002: £52.7 million)

Operating profit up 80% to £25.7 million (2002: £14.3 million)

Profit on ordinary activities after tax up 90% to £13.7 million (2002: £7.2 million)

Diluted earnings per share up 95% to 11.9p (2002: 6.1p)

Operating cashflow up 25% to £44.0 million (2002: £35.1 million)

Capital expenditure, including acquisitions, totalled £54.3 million (2002: £63.6 million)

Activity Highlights

Portfolio diversification and expansion from one to three UK production hubs

‘Trees’, Venture’s initial hub in the North Sea, continued to be a major contributor to growth producing 7,400 boepd

Successful three well southern North Sea (“SNS”) drilling campaign on Ann, Annabel and Amanda

Five acquisitions completed adding 26.4 million of barrels of oil equivalent (“MMboe”) of proven and probable (“2P”) reserves at a net acquisition cost of £0.79/boe

Total year end 2P reserves increased 89% to 93.7 MMboe (2002: 49.7 MMboe)

Venture became operator of its first North Sea manned platform - Kittiwake

Venture Production plc is a leading new generation oil and gas company focused on capturing the potential of “stranded” reserves.



Chairman's and Chief Executive's Review 2003



During 2003, Venture continued its rapid growth with average annual production rising 53%, from 8,681 boepd in 2002 to 13,310 boepd. This increase in production, combined with favourable commodity prices, led to record financial performance in 2003. During the year, Venture made progress in the development of its asset base, through bringing on stream the Sycamore field and our successful drilling campaign in the southern North Sea.

In addition, the Company completed five acquisitions that, together with drilling activity, allowed it to increase proven and probable reserves by 89% from 49.7 to 93.7 MMboe at the end of 2003. Venture has also expanded from one production hub in the North Sea to three, thereby diversifying its asset base and allowing it to spread the risk while also providing a broad development inventory, virtually all of which is operated by Venture.

Strategy

Venture's strategy remains focused on the acquisition and exploitation of proven reserves and the development of discovered but undeveloped reserves, collectively known as 'stranded' reserves. The business model is based on adding value to these 'stranded' reserves through the application of modern technology and operating practices together with a change in approach to asset management. In order to achieve this, the Company typically

seeks to take large working interests and act as operator.

Venture has established a track record of realising the 'stranded' reserve potential of assets in its two geographical areas of focus, the UK North Sea and Trinidad. This has been achieved through a series of field development and rejuvenation programmes, which have led to higher production, longer field life and increased recoverable reserves.

Financial Results

In 2003, turnover increased to £71.0 million (up 35% from 2002), operating profit increased to £25.7 million (up 80% from 2002) and profit on ordinary activities after taxation increased to £13.7 million (up 90% from 2002). Cashflow from operations increased to £44.0 million (up 25% from 2002). Fully diluted earnings per share increased by 95% to 11.9p (2002: 6.1p).

In 2003, Venture successfully completed the refinancing of its banking facilities, which have been expanded from \$100 million to \$175 million through a new syndicated credit facility.

Operations

The principal contributor to Venture's increase in production in 2003 was the 'Trees' block 16/12a in the North Sea, which produced 7,400 boepd net, representing 56% of the Group total.

During the year, production from Larch continued in line with expectations, supplemented by the contribution from the Sycamore field, which was brought on stream in early March. Sycamore commenced production ahead of schedule, however, production from one of the two initial wells declined faster than anticipated. In addition, the third planned production well in the northern part of the field encountered the expected oil column, but the reservoir intersected was not of sufficient quality to complete the well as a producer and it was therefore suspended. During the latter part of the year production from the field stabilised. In order to optimise development, in 2004, Venture plans to drill a water injection well in the central part of the field.

During November, the Birch field was brought back on stream, having been shut-in for over two years, and continues to produce in excess of 650 boepd net. Since the year-end, Venture has completed the acquisition of an additional interest in the field bringing its total interest to 64.51%.

Gas production from the 'A' Fields hub in the southern North Sea increased by 161% to 3,400 boepd, or 25% of Group total. This increase was a result of the new gas sales arrangements entered into for the Ann and Alison fields and the successful workover on one of the Ann wells, which was brought back on stream in July. Also during 2003, Venture acquired additional interests in

2003 represented another record year for Venture, during which we maintained our track record of sustained growth. In addition to delivering material increases in production, reserves, cashflow and net income, Venture made important strides in expanding and diversifying its asset base.

John Morgan Chairman

This year's growth has, again, been achieved through a combination of acquisitions, development and drilling operated by Venture. Of particular note during 2003, our southern North Sea gas operations underwent a step change in scale following three years building this business.

Bruce Dingwall Chief Executive



the Audrey, Ann and Alison fields giving it 100% ownership of all three fields. These acquisitions were completed late on in the year and so made only a modest contribution to 2003 production levels.

In addition to the Ann workover, Venture drilled two other successful wells in the southern North Sea. Firstly, an appraisal well on the Annabel structure tested at flowrates in excess of 50 million cubic feet per day ("MMcfd") and confirmed a substantial gas accumulation. The Company is pursuing a fast track development of Annabel as a sub-sea tie-back to Audrey. Late in the year Venture drilled a well on the untested Annie structure. This well encountered greater than expected volumes of gas, but tested at sub-economic rates from the initial penetration. Venture is currently evaluating development options for Annie, which has been renamed Amanda.

Since year-end, Venture has successfully renegotiated its Audrey gas sales arrangements with Centrica. The new arrangements will allow Venture to increase production levels from Audrey, thus enabling it to invest in the field and its surrounding satellites to increase reserves and extend production life.

In aggregate, this material expansion of the Company's SNS gas position has created an operating hub with critical mass,

where Venture is operator of a compact business unit with control over access to infrastructure. Over the last three years, through a total of seven acquisitions, four major commercial transactions and participation in the drilling of four wells, we have assembled an asset base with proven and probable reserves of 224 bcf. Net current production is approximately 65 MMcfd with the potential to more than double over the next several years from near term development activity. During 2003, Venture also benefited, to a degree, from stronger natural gas pricing reflecting the more favourable supply-demand dynamics in the UK gas market, a situation that is anticipated to continue and from which Venture is well placed to benefit.

The acquisition from Shell and ExxonMobil of their interests in the Greater Kittiwake Area ("GKA"), which completed in late November, has created a third Venture operated hub in the North Sea. Given that completion of these acquisitions occurred late in the year, production from GKA during 2003 came predominantly from Venture's existing interest in the Mallard field, which performed in line with expectations throughout the year and averaged 1,100 boepd net or 8% of Group total. The Kittiwake platform is the Company's first permanently manned production facility in the North Sea and, as such, represents a major step forward in its evolution as a North Sea operator. While current

production levels from GKA are modest, the area represents a major investment opportunity for the Group and brings an important new development portfolio. In addition, during the year Venture acquired an additional interest in and operatorship of the Chestnut oil field located close to GKA in the central North Sea. We are currently pursuing development options for the field.

In Trinidad, production increased during 2003 as a result of completion of the acquisition of Petrotrin's working interest in the Brighton Marine field in exchange for an overriding royalty. Venture's assets in Trinidad continued to perform in line with expectations and production for 2003 averaged 1,500 boepd, 11% of Group total.

During 2003, Venture conducted a strategic review of its position in Trinidad. A number of attractive development opportunities has been identified in the existing asset base. All of these would become more attractive if, as a result of the Trinidadian Government's current review, the oil and gas tax regime was changed to improve the economic terms of oil and gas investment. Venture understands that such a change is likely, but continues to keep the situation under review. Apart from a seismic survey on the Point Ligoure licence, final sanction of further development activity, whilst approved, has been held back pending the definitive outcome and evaluation of fiscal reform.

Chairman's and Chief Executive's Review 2003

(continued)



Employees and Contractors

The contribution of employees and contractors to Venture's growth and success over the past year cannot be overstated. Growth has been achieved through reaching for and attaining the highest standards of operational performance as well as of health, safety and respect for the environment. The board would like to take this opportunity to thank all staff and contractors for their important contribution to the Company's progress during the year.

Outlook

As a result of the 2003 development programme, particularly Sycamore, and completion of the acquisitions, current production levels are more than double those of 12 months ago, averaging over 19,000 boepd during the first two months of 2004. This has been achieved despite some disappointment on Sycamore, which nevertheless remains a major contributor to Venture's production growth.

Development and acquisition activity in 2003 has materially expanded the scale and diversification of Venture's operations. In addition, it has provided a broad development inventory, which will underpin the Company's growth over the next several years. Venture is currently pursuing an aggressive development programme across all its production hubs and, while the impact of this programme in terms of increased production will largely be seen in 2005, clear development milestones will be evident in 2004.

This portfolio development and diversification is beginning to have a positive impact on the Company's risk profile and, in particular, Venture's ability to absorb individual project disappointments. While short-term volatility will remain a factor in the growth of a business such as Venture, the increased scale and diversification of the Company's portfolio gives it greater confidence in its ability to deliver medium term objectives.

John Morgan
Chairman

Bruce Dingwall
Chief Executive

Review of Operations

Portfolio growth and diversification achieved during 2003 have enabled Venture to reduce its risk across its three North Sea production hubs – ‘Trees’, the Greater Kittiwake Area and ‘A’ Fields. It has also provided a broader and deeper development inventory through which we can maintain our growth in the future.

- 7 acquisitions
- 4 major commercial transactions
- 4 wells drilled



VENTURE'S INTERESTS IN THE UK NORTH SEA

Licence Block	Field	Venture Interest (%)	Operator	Status
16/12a	Birch (1)	46.80	Venture	Producing oil field
	Larch	56.90	Venture	Producing oil field
	Sycamore	64.51	Venture	Producing oil field
22/2a	Chestnut	69.90	Venture	Oil field under development
21/19a	Mallard	50.00	Venture	Producing oil field
	Kittiwake	50.00	Venture	Producing oil field
	Gadwall	50.00	Venture	Undeveloped oil discovery
	Grouse	50.00	Venture	Undeveloped oil discovery
	Goosander	50.00	Venture	Undeveloped oil discovery
21/27a & b	Pilot/Harbour	47.50	Venture	Undeveloped oil discoveries
48/9a	Argo	15.00	ConocoPhillips	Undeveloped gas discovery
48/10a	Annabel	88.90	Venture	Undeveloped gas discovery
48/10a	Atlas (2)	88.90	ConocoPhillips	Undeveloped gas discovery
49/6a	Ann	100.00	Venture	Producing gas field
49/11a	Audrey	100.00	Venture	Producing gas field
	Alison	100.00	Venture	Producing gas field

(1) In January 2004, Venture acquired a further 17.7% bringing the total equity to 64.5%.

(2) This interest will be unitised as part of the Saturn unit development.

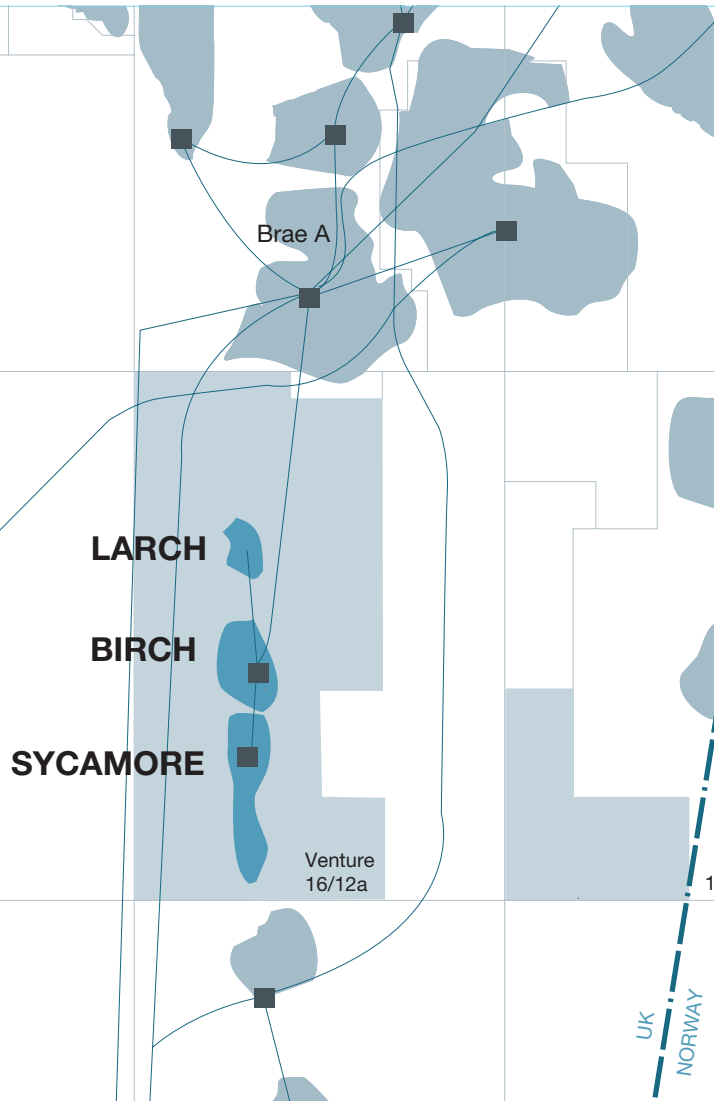
During 2003 Venture's average net annual production increased by 53% from 8,681 boepd in 2002 to 13,310 boepd in 2003. While all of the Company's four production units (three in the UK and one in Trinidad) delivered increased production in 2003, the main contributors to this growth were the Sycamore field, which came on stream in March, and increased gas production from 'A' Fields in the southern North Sea.

In addition, 2003 represented a year of expansion and diversification of Venture's operations. During the year, through a combination of acquisitions, development and drilling activity the number of production hubs in which we have an interest has increased from one to three. Of the 21 oil and gas fields in which the Company has an interest, it operates 19 with an average working interest of 66%. This expansion has significantly diversified Venture's portfolio while maintaining a high degree of control over its operations.



Review of Operations

TREES



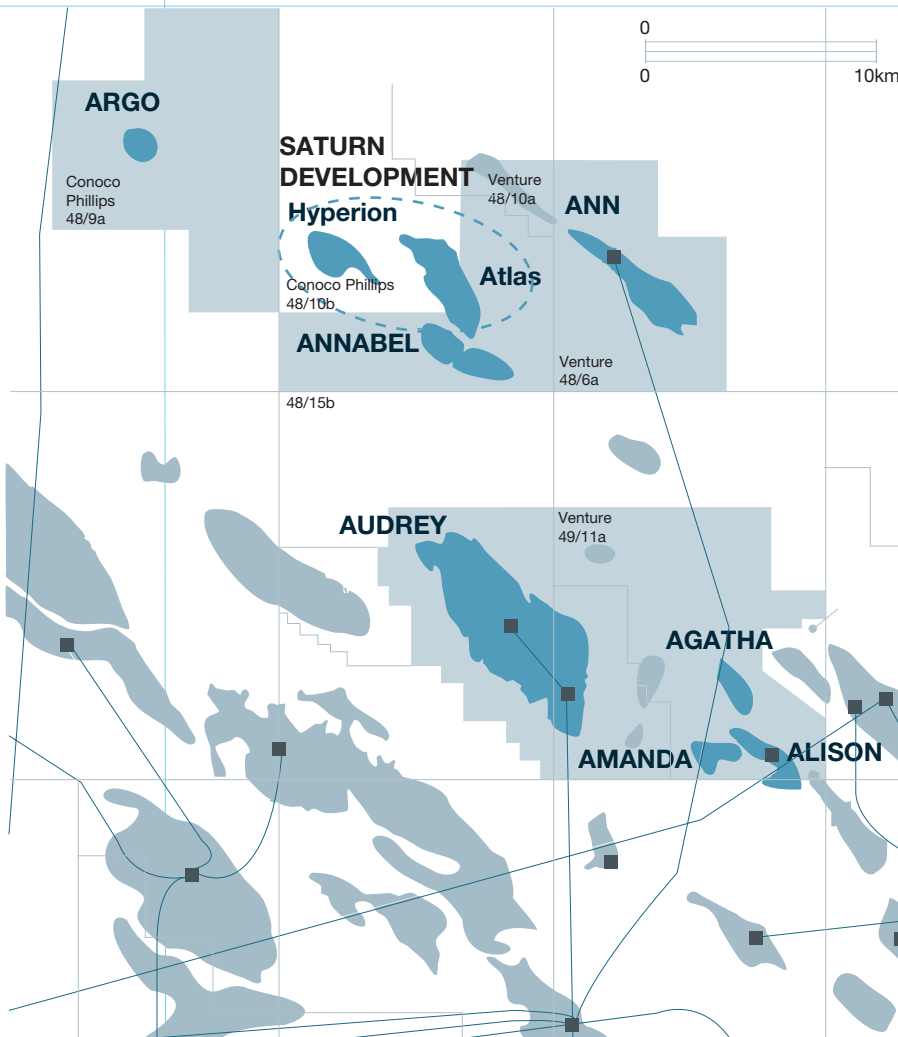
UK North Sea

'Trees' (Block 16/12a)

The principal contributor to Venture's increase in production in 2003 was the 'Trees' block 16/12a, which produced 7,400 boepd, representing 56% of Group total. The Venture operated Sycamore field (Venture 64.51%) was brought on stream in March. While Sycamore commenced production ahead of schedule, production from one of the two initial wells declined faster than anticipated. In addition, the third planned production well in the northern part of the field encountered the expected oil column, but the reservoir intersected was not of sufficient quality to complete the well as a producer and it was therefore suspended. However, since the second half of the year production from the two wells has stabilised. During 2004, Venture plans to drill a water injection well in the central part of the field to provide pressure support. In addition, the Company is currently reviewing options for the development of the southern part of the field. While production from Sycamore has not met initial expectations, the field development remains a very successful and profitable project for Venture.

During the year production from the Larch field (Venture 56.8%) continued to produce in line with expectations. The Birch field, which was brought back on stream during November having been shut-in for over two years, is producing in excess of 650 boepd net. As a result of this success, Venture plans to pursue additional field rejuvenation opportunities. Since the year-end the Company has completed the acquisition of an additional interest in the Birch field bringing its total interest to 64.51%.

'A' FIELDS



'A' Fields

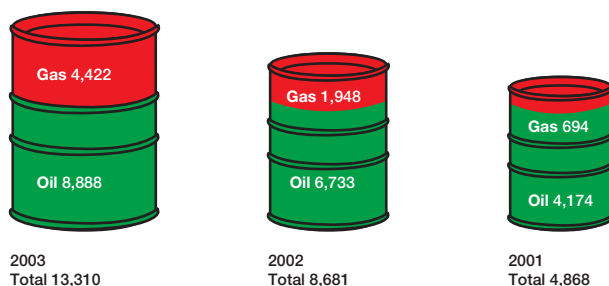
Gas production from the 'A' Fields hub in the SNS increased by 161% to 3,400 boepd, or 25% of the Group total. During 2003, Venture also benefited somewhat from stronger natural gas pricing reflecting the more favourable supply-demand dynamics in the UK gas market.

During 2003, production from the Ann and Alison gas fields (Venture 85.0%) increased as a result of two factors. Firstly, the Company was able to optimise the production from the fields through entering into new gas sales arrangements for the fields, enabling it to sell greater volumes based on spot market related pricing. This contract renegotiation has enabled Venture to manage these fields more effectively, reduce uncertainty in production volumes and to make further investment. Secondly, in July the Company successfully completed a workover on one of the two Ann production wells, which had been shut-in. The well was brought back on stream at a rate of approximately 10 MMcfpd. In late December Venture completed the acquisition of the remaining 15% interest in the Ann and Alison fields and adjacent acreage.

During the major part of 2003, the Audrey field (Venture 29.9%) contributed very limited production due to the gas imbalance arrangements which had been in place since the acquisition of its interest in the field in 2001. However, during 2003, the Company completed two acquisitions that increased its interest to 100% and gave it operatorship of the field. These acquisitions were completed in late October and December respectively and consequently made a limited contribution to total annual production volumes in 2003.

In order to optimise current production capacity and to enable the Company to invest in

VENTURE PRODUCTION ANALYSIS (boepd) By Hydrocarbon





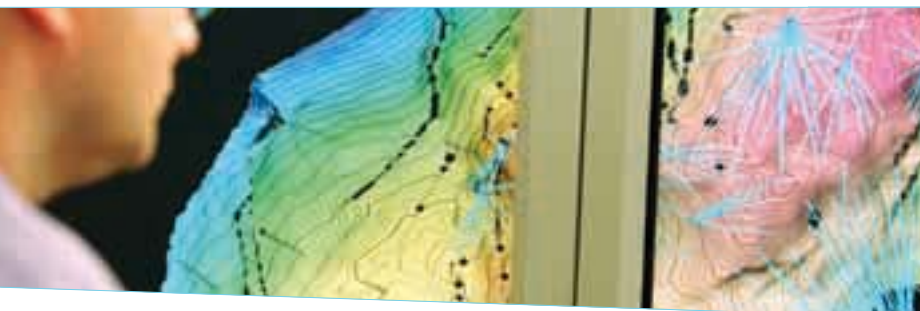
field rejuvenation, during late 2003, Venture entered into negotiations with Centrica, the buyer of gas from the field, to amend the gas sales agreements. These negotiations were successfully completed in March 2004 and represent a genuine win-win solution for both Venture and the gas buyer. They allow the Audrey field to produce additional volumes at market related pricing while protecting the value of the buyer's original gas purchase arrangements. These new arrangements will allow increased production levels and enable Venture to invest in the field, thereby significantly increasing recoverable reserves and extending field life. In addition, the Audrey field, which has been developed through two normally unmanned platforms, has the ability to act as an infrastructure hub to tie-back other satellite fields in the area. During 2004, rejuvenation activity on Audrey will be centred on the workover of two of its production wells and tie-back of the Annabel field. Venture is currently conducting a major sub-surface study of the Audrey field, which is expected to be completed in the second quarter of 2004. It is anticipated that this study will identify further field rejuvenation opportunities, which may be implemented in 2005 and beyond.

During the third quarter of 2003, Venture drilled an appraisal well on the Annabel structure located in Block 48/10a to fulfil the terms of an earn-in agreement signed in 2002. The drilling of this well increased the Company's interest to 88.88% and gave it operatorship of the block. The Annabel appraisal well was successfully tested at flow rates in excess of 50 MMcfpd and has been suspended for future completion as a production well. Venture is moving rapidly to develop the field as a sub-sea tie-back to Audrey located 13km to the south.

The Company anticipates submitting a Field Development Plan for Annabel in the second quarter of 2004 with first gas production forecast for late 2004 or early 2005.

In addition to the Annabel gas field, Block 48/10a contains an extension of the Atlas gas accumulation located in the ConocoPhillips operated Block 48/10b. Atlas, together with the Hyperion field also located in Block 48/10b, constitute the Saturn Unit development. During 2003 Venture continued technical, commercial and unitisation negotiations with the 48/10b partners on the development of the unit. It is anticipated that these negotiations will be concluded and that the Field Development Plan will be submitted in the second quarter of 2004 with first gas anticipated in late 2005. The fields will be developed via an unmanned platform located over the Atlas field, with a sub-sea tie-back of the smaller Hyperion accumulation. During the first quarter of 2004, the 48/10b partners drilled a successful appraisal/production well on the eastern part of the Atlas field, which has been suspended pending future completion as a production well.

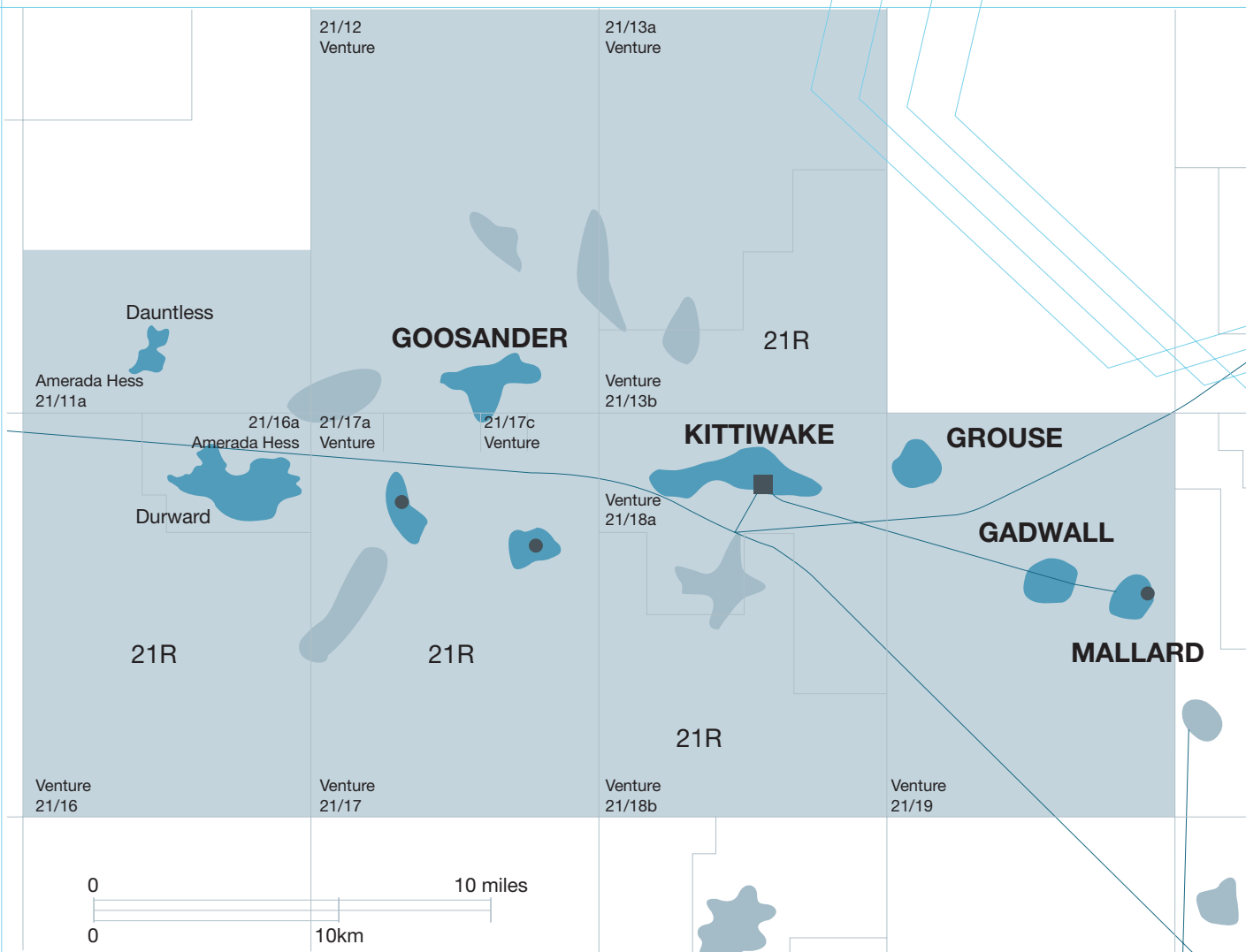
Late in the year the Company drilled a well on the untested Annie structure located in Block 49/11a (Venture 85.0%). This well encountered greater than expected volumes of gas but tested at sub-economic rates. Venture is currently evaluating development options for Annie, which has been renamed Amanda. As part of the Audrey, Ann and Alison acquisitions completed in late December, Venture increased its interest in Amanda and surrounding acreage to 100%.



Review of Operations

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GREATER KITTIWAKE AREA



Greater Kittiwake Area (“GKA”)

In late November, the Company completed the joint acquisition with Dana Petroleum (“Dana”) of the interests of Shell and ExxonMobil in the GKA located in the central North Sea. GKA includes the producing Kittiwake and Mallard fields, the Kittiwake platform and associated infrastructure as well as several undeveloped discoveries. Venture is the operator of the GKA assets and, through a simultaneous licence swap with Dana, each company’s net interest has been equalised at 50.0% each. Venture and Dana were also jointly awarded four further adjacent blocks in the UK 21st Licensing Round. GKA is the Company’s third UK production and development hub.

Given the completion of the acquisition late in the year, production during 2003 came predominantly from Venture’s existing interest in the Mallard field, which produced steadily throughout the year and averaged 1,100 boepd net or 8% of Group total. The Kittiwake platform is Venture’s first permanently manned production facility in the North Sea and, as such, represents a major step forward in the Company’s evolution as a North Sea operator. While current production levels from GKA are modest, the area represents a major investment opportunity for the Group and brings an extensive portfolio of in-fill drilling opportunities, satellite tie-back developments and step-out exploration prospects.

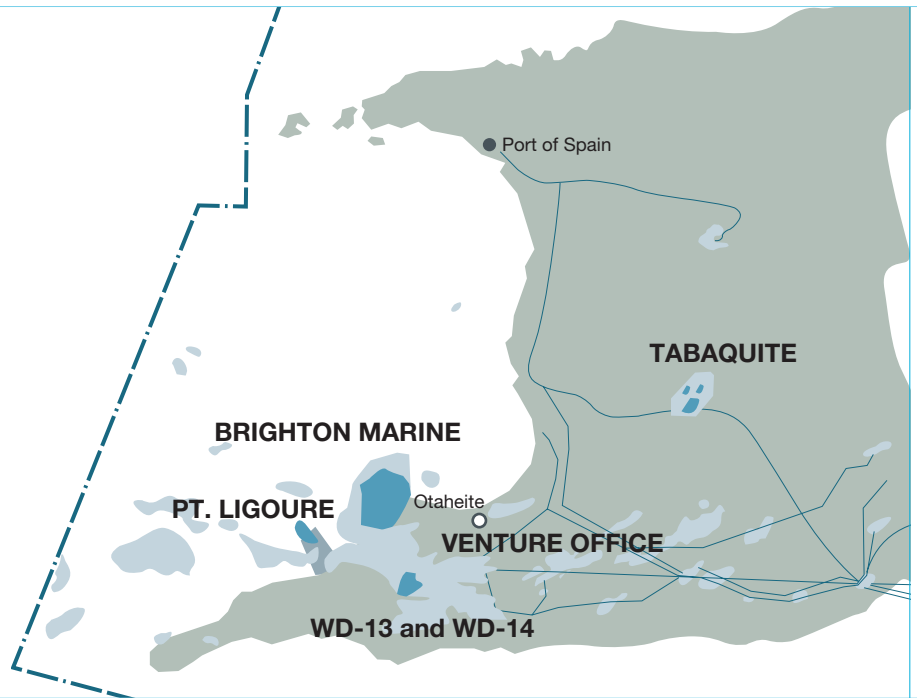
The first GKA project planned is the development of the Gadwall field in 2004.

Other Assets

In June 2003, Venture completed the acquisition of Amerada Hess’ 50.0% stake in the Chestnut field and assumed operatorship, taking the Company’s total interest to 69.9%. Together with the Chestnut partners, Venture is currently pursuing fast track development options for the field. In addition, the Company has continued with technical studies to determine development options for the Pilot field.



TRINIDAD



Trinidad

In Trinidad, production increased during 2003 as a result of completion of the acquisition of Petrotrin's working interest in the Brighton Marine field in exchange for an overriding royalty. All of Venture's assets continued to perform in line with expectations and production for 2003 averaged 1,386 boepd, or 10% of Group total.

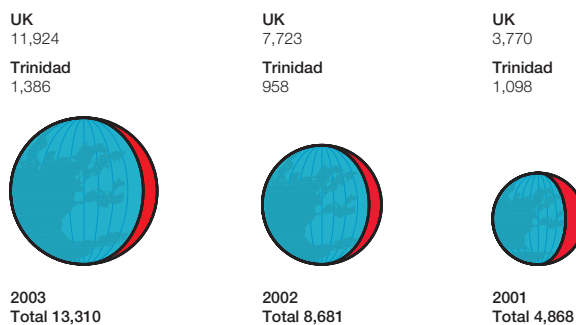
As a result of the growth in Venture's UK business, Trinidad now represents a significantly smaller proportion of the Company's asset base and production than it did several years ago. Consequently, during 2003, the Company conducted a strategic review of its position in Trinidad. A number of attractive development opportunities have been identified in its existing asset base. All of these would become even more attractive if, as a result of the Trinidadian Government's current review, the oil and gas tax regime was changed to improve the economic terms of oil and gas investment. Venture anticipates that such a change is likely, although the timing of any such change is uncertain. A commitment has been made for a seismic survey on the Point Ligoire licence. Other development activity has been approved, but any commitment of funds is held pending the outcome of this fiscal reform.

VENTURE'S INTERESTS IN TRINIDAD

LICENCE/ CONCESSION	FIELD	VENTURE INTEREST (%)	OPERATOR	STATUS
WD-13	WD-13	100.00	Venture	Producing oil field
WD-14	WD-14	100.00	Venture	Producing oil field
Tabaquite	Tabaquite	100.00	Venture	Producing oil field
Brighton Marine	Brighton Marine (1)	100.00	Venture	Producing oil field
Guapo Bay	(Part of Brighton Marine)	65.00	Venture	Undeveloped oil discovery
Point Ligoire	Point Ligoire	50.00	Venture	Producing oil field

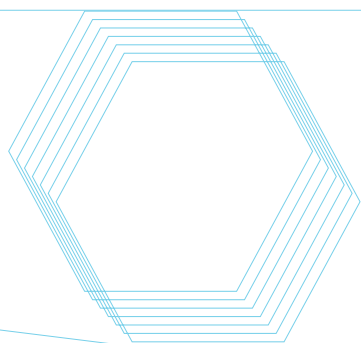
(1) In March 2003 Petrotrin converted its 45% equity interest into an ORR, bringing Venture's share to 100%.

VENTURE PRODUCTION ANALYSIS (boepd) By Geographic Area



Review of Operations

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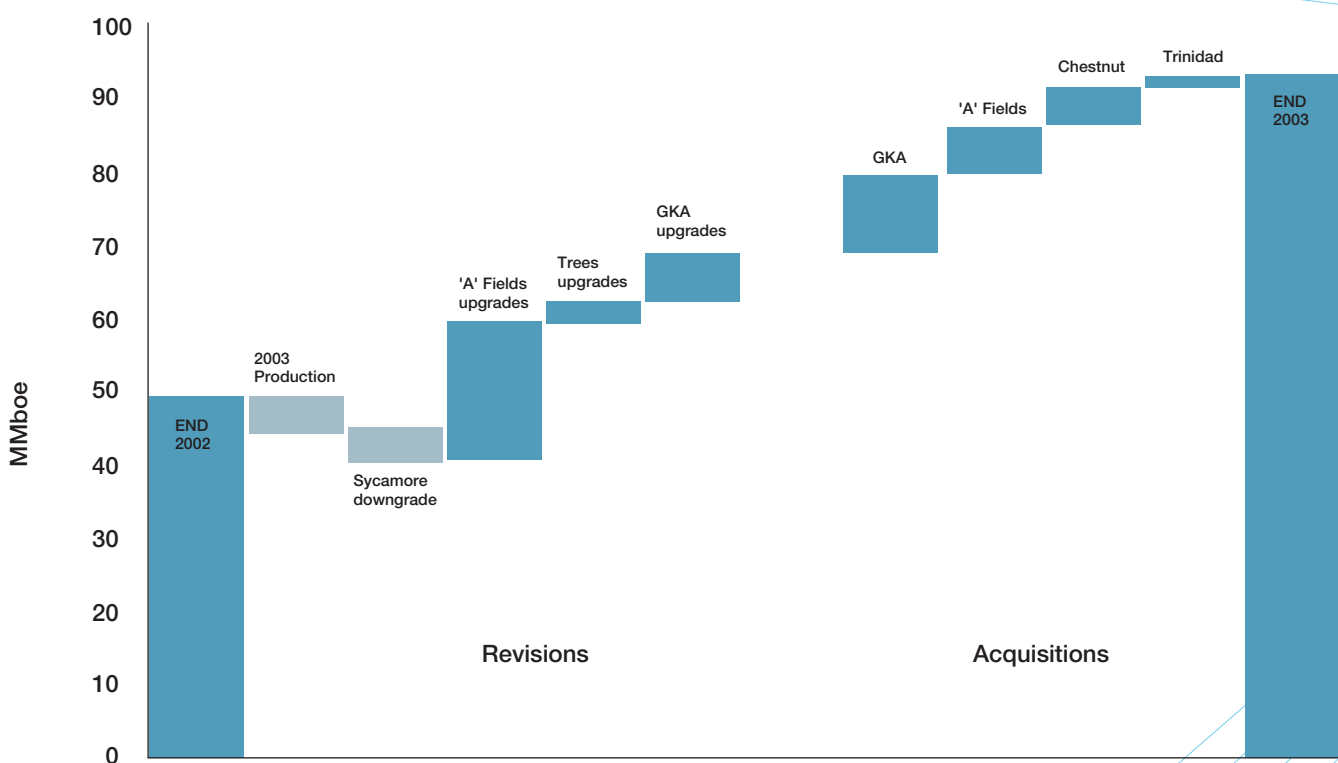


Oil and Gas Reserves

The movements in Venture's proven and probable reserves are summarised below:

	TOTAL GROUP			UK		TRINIDAD	
	OIL EQUIVALENT MBOE	OIL MBBLS	GAS MMCF	OIL MBBLS	GAS MMCF	OIL MBBLS	GAS MMCF
Proven Reserves							
At 1 January 2003							
Developed	7,992	5,282	16,251	3,566	16,251	1,716	-
Undeveloped	7,103	6,592	3,064	6,290	3,064	302	-
	15,095	11,874	19,315	9,856	19,315	2,018	-
Movements :							
Revised estimates	6,344	(4,808)	66,911	(4,758)	66,578	(50)	333
Acquisitions	16,147	10,054	36,561	9,237	36,561	817	-
Production	(4,858)	(3,223)	(9,807)	(2,738)	(9,684)	(485)	(123)
	17,633	2,023	93,665	1,741	93,455	282	210
At 31 December 2003							
Developed	11,404	4,713	40,143	2,715	39,933	1,998	210
Undeveloped	21,324	9,184	72,837	8,882	72,837	302	-
	32,728	13,897	112,980	11,597	112,770	2,300	210
Probable Reserves							
At 1 January 2003							
	34,602	22,132	74,829	19,293	74,829	2,839	-
Movements :							
Revised estimates	16,104	7,454	51,897	6,976	51,897	478	-
Acquisitions	10,290	9,334	5,737	8,651	5,737	683	-
	26,394	16,788	57,634	15,627	57,634	1,161	-
At 31 December 2003							
	60,996	38,920	132,463	34,920	132,463	4,000	-
Total Proven & Probable							
At 1 January 2003							
	49,697	34,006	94,144	29,149	94,144	4,857	-
Movements :							
Revised estimates	22,448	2,646	118,808	2,218	118,475	428	333
Acquisitions	26,437	19,388	42,298	17,888	42,298	1,500	-
Production	(4,858)	(3,223)	(9,807)	(2,738)	(9,684)	(485)	(123)
	44,027	18,811	151,299	17,368	151,089	1,443	210
At 31 December 2003							
	93,724	52,817	245,443	46,517	245,233	6,300	210

During 2003 Venture's total proven and probable reserves increased by 89% to 93.7 MMboe from 49.7 MMboe. 46% of this increase resulted from net upward revisions to reserve estimates and 54% from acquisitions, offset by production during the year. The significant upward revision in UK gas reserves resulted from two fields. Firstly, the Annabel discovery and secondly, increased estimates of remaining recoverable reserves from Audrey as a result of the new gas sales arrangements and Venture's planned rejuvenation activity. Reserve additions through acquisitions related to the acquisitions of interests in GKA, 'A' Fields and the Chestnut field in the UK and Brighton Marine in Trinidad.





Health, Safety & Environmental

Health, Safety and Environmental (“HSE”)

In the drive to maximise shareholder value, not only does Venture seek to attain the highest standards of operational and financial performance but also to ensure the long-term sustainability of the Company. Venture considers HSE management an integral part of its business and its duty as a responsible corporate citizen. The Company is committed to meeting or exceeding relevant regulatory and legislative requirements and applying responsible standards of its own where pertinent laws and regulations do not exist.

Venture’s business principles are embedded in the way the Company works and Venture adopts a risk-based approach to the management of HSE. This report reflects the focus the Company puts on health, safety, the environment and its social responsibility. As Venture continues to focus on these important responsibilities it also recognises that its expanding business requires that the Company explicitly address the wider issue of sustainability.

Safety

Venture’s vision is ‘no harm to people’. 2003 was another exceptional year with only one lost time injury in the near half-a-million man-hours worked by employees and contractors’ staff on company facilities.

With few Venture staff, and all of those office based, the exposure to harm for company employees is low and is assured by a comprehensive, internal HSE programme. Venture can, and does, have a greater impact on safety through contractors and alliance partners who employ, directly or indirectly, the people working on company owned facilities. During 2003 the Company put in place the necessary interfaces to ensure that critical contractors know and accept the standards Venture demands. The Company then monitors activities to ensure compliance. In the future, Venture will continue to develop performance targets to facilitate measurement thereby providing a basis for continuous improvement.

During the year, Venture’s growing responsibilities as owner and duty-holder in emergency response resulted in a review and strengthening of contingency plans. These will be further enhanced in the coming year with emergency and crisis training for those involved.

HSE Management System

Due to Venture’s growth, the Company has put in place a Business Management System, which incorporates the HSE Management System, to give easier and more efficient access to Venture’s documented processes and procedures. This will facilitate improvements in all aspects of HSE by learning from activities, enabling consistency in actions and behaviours, both internally and externally. During the year the Company will review its HSE Management System to ensure it remains fit for purpose and applicable to changing business needs.

For all 2003 projects, safety reviews and assessments were carried out to meet Venture’s commitment to manage risks to levels that were as low as reasonably practicable.

Environment

The Company’s strategic aim is ‘no harm to the environment’ and Venture is proud that no significant spills or discharges occurred in 2003. Venture however remains diligent and recognises that the very nature of the business carries the risk of environmental impact of some nature. The Company is therefore committed to understanding and limiting the impact of operations and to minimise waste and emissions. Venture insists that contractors and partners apply the same standards, as a minimum. All the Company’s new business projects are assessed for environmental impact and formal Environmental Statements prepared where necessary.

Responsible Citizenship

The Company emphasises high standards of performance and operates to a set of Business Principles that are continuously promoted within the Company. Venture believes that the Company conducts its business to the highest ethical standards and in an open and socially responsible way. Venture is an equal opportunity employer. The Company’s operations are staffed with local people whenever possible and employees are involved in the planning of their work.

Financial Review

Key Results	2003	2002	Increase
Production (boepd)	13,310	8,681	53%
Turnover (£ million)	71.0	52.7	35%
Gross profit (£ million)	25.3	18.3	38%
Operating profit (£ million)	25.7	14.3	80%
Profit after tax (£ million)	13.7	7.2	90%
Fully diluted earnings per share (p)	11.9	6.1	95%
Operating cashflow (£ million)	44.0	35.1	25%

Key Statistics - £ per boe	2003	2002	Increase/(Decrease)
Average realised price	15.10	15.30	(1)%
Lifting costs	5.85	5.00	17%
Lifting costs (excluding well workovers)	4.88	4.85	-
Depreciation, depletion and amortisation	3.35	4.15	(19)%
Administration expenses (excluding currency exchange variances)	0.65	1.43	(55)%

(Calculated on the basis of rounded numbers)

Turnover increased by 35% to £71.0 million for the year (2002: £52.7 million), due to an increase of 53% in production volumes to 13,310 boepd and a virtually unchanged average realised hydrocarbon price. The increase in production was due to first production from the Sycamore field and additional production from the "A" Fields. The average realised price for the year in sterling reflected higher realised oil prices offset by the increased contribution of lower priced gas production and the increasing strength of sterling relative to the US dollar.

On a per unit basis, lifting costs for the year increased by 17% to £5.85 per boe (2002: £5.00 per boe). This increase was attributable to well workover costs incurred during the year and the increase in the proportion of higher per unit cost gas production. Excluding the cost of such well workovers, unit lifting costs of £4.88 per boe were almost unchanged from those incurred in the previous year. The 19% reduction to £3.35 per boe (2002: £4.15 per boe) in the charge for depreciation, depletion and amortisation reflected the increase in the Company's hydrocarbon reserve base relative to the cost of acquiring or developing those reserves.

Due to the increase in turnover, the control over lifting costs and the reduction in the per unit charge for depreciation, depletion and amortisation, gross profit for the year was £25.3 million, an increase of £7.0 million or 38% over that realised in the previous year.

Administration expenses, after adjusting for exchange gains on the Company's US dollar denominated debt, totalled £3.1 million (2002: £4.5 million) a decrease of 31%. On a per unit basis the adjusted administration expense of £0.65 per boe represented a reduction of 55% compared with 2002. This reduction, which reflected in part an allocation of certain costs that were previously classified as administration to lifting costs, was achieved despite supporting a significantly increased operated asset base as well as the increased cost of corporate governance and compliance. As a result, operating profit for the year increased by 80% to £25.7 million (2002: £14.3 million).

Net interest payable and similar charges increased to £2.2 million (2002: £1.6 million) as a result of greater utilisation of the \$175 million loan facility to provide continuing investment and acquisition funding and the non-cash finance charges associated with unwinding the decommissioning provision associated with the Company's assets.

As a consequence of the higher level of profitability the tax charge for the year increased by 76% to £9.8 million (2002: £5.5 million). However the effective tax rate for the year declined to 42% compared with 44% in 2002. This tax charge for the year comprises a current tax credit of £2.6 million (2002: £0.4 million charge) offset by a deferred tax charge of £12.4 million (2002: £5.1 million). The net current tax credit reflected the repayment of corporation tax of £1.9 million, which was received in January 2004, and the release of prior year provisions through the utilisation of Group relief benefits.

Profit after tax for the year increased by 90% to £13.7 million (2002: £7.2 million) reflecting the start up of the Sycamore field and the contribution from the additional interests in the 'A' Fields. As a consequence, fully diluted earnings per share of 11.9p were 95% greater than those for 2002.



Financial Review

(continued)

Cashflow from operating activities increased by 25% to £44.0 million (2002: £35.1 million), due to an increase of £14.4 million in the operating profit adjusted for depreciation for the year to £41.9 million (2002: £27.5 million). This internally generated cashflow was the main source of finance for the Company's continuing investment in both acquisitions of oil and gas interests and development of existing assets, which totalled £54.3 million (2002: £63.6 million). During the year the Company invested a total of £14.8 million in acquisitions. In June 2004, Venture increased its interest in and became operator of the Chestnut field. Completion of the complex acquisition of licence interests in the GKA occurred in late November, resulting in a net interest of 50.0% and operatorship of all licences in that area. In the last quarter of the year, through two acquisitions, Venture took its working interest in the Audrey field to 100%, thus becoming operator of that field also, and acquired the remaining 15% interest in the Ann and Alison fields that it did not already own. A further £39.5 million was invested in developing existing assets, principally Sycamore (£12.3 million), drilling a successful appraisal well in the Annabel field and a well in the Amanda prospect (£23.8 million).

The total capital expenditure in 2003 was lower than in 2002 as a result of the completion of the Sycamore field development, where capital expenditure was largely incurred in 2002, and minimal investment in Trinidad in 2003. This was partially offset by higher expenditures on 'A' Fields and acquisitions. In addition, total capital expenditures in 2003 were lower than originally budgeted due to the deferral of the central Sycamore water injection project and drilling and sub-sea tie-back costs on Amanda/Agatha.

Additional financing was provided through the Company's long-term debt facility. In 2003, the Company completed the refinancing of its bank credit facilities. These facilities have been expanded from \$100 million to \$175 million and have been provided by a consortium of banks lead by the Royal Bank of Scotland.

Hedging

To manage commodity price risk, Venture's policy is to hedge price exposure up to 75% of its oil and gas production in the UK and Trinidad. Hedges have been put in place with a variety of counterparties, details of which are summarised in the following tables.

OIL HEDGES

Period	Put Options Purchased		Call Options Sold		Swaps	
	Volume (bbl)	Price (\$/bbl)	Volume (bbl)	Price (\$/bbl)	Volume (bbl)	Price (\$/bbl)
2003						
January - March	450,000	18.50	300,000	26.45	-	-
April - June	270,000	18.50	270,000	25.70	455,000	29.00
July - September	715,000	18.50	255,000	26.21	460,000	29.00
October - December	368,000	18.50	-	-	460,000	29.00
2004						
January - March	-	-	-	-	728,000	27.33
April - June	-	-	-	-	273,000	24.55
July - September	-	-	-	-	478,400	25.87
October - December	-	-	-	-	475,400	25.88
2005 (1)	-	-	-	-	2,495,600	26.20
2006 (1)	-	-	-	-	1,612,050	25.35

GAS HEDGES

Period	Forward Sale		Swaps	
	Volume (therms)	Price (p/therm)	Volume (therms)	Price (p/therm)
2003				
October - December	-	-	3,920,800	30.94
2004				
January - March	-	-	5,955,100	28.95
April - June	610,000	19.00	-	-
July - September	310,000	19.00	10,672,000	18.00
October - December	-	-	10,672,000	29.20
2005 (2)	5,112,000	35.55	35,149,738	26.32
2006 (2)	-	-	18,900,000	28.85

(1) Weighted average price (\$/bbl)

(2) Weighted average price (p/therm)

Board of Directors

01 John Morgan**
Chairman and Non-Executive Director
aged 59

Mr Morgan was appointed a Director of Venture in September 1998. Mr Morgan worked for BP for over 30 years and held senior positions in that company including Head of South East Asia Exploration Office, North Sea Commercial Manager, General Manager North Sea Operations and President BP Exploration (Alaska). He is also a Director of John Wood Group PLC and a Member of the Oil and Pipeline Agency.

02 Bruce Dingwall
Chief Executive Officer
aged 44

Mr Dingwall is a founder and was appointed a Director of Venture in November 1996. He is a geologist by profession and began his career as a geophysicist for Exxon in the North Sea. Mr Dingwall then spent over 10 years with LASMO. His positions with that company included Exploration Manager Pakistan, Vice President Exploration Indonesia and Business Development Manager Asia. During 2002 Mr Dingwall was President of the United Kingdom Offshore Operators Association (UKOOA).

03 Michael Wagstaff
Finance Director
aged 42

Mr Wagstaff joined Venture as Finance Director in June 1999. He began his career with Shell as a petroleum engineer based in various locations in Western Europe. From 1988 to 1999, he was employed by Schroders in its Corporate Finance department, based in London and New York where he provided corporate finance advice to energy companies including Venture.

04 Jonathan Murphy
Chief Operating Officer
aged 48

Mr Murphy joined Venture in March 1999 and was appointed a Director in August 1999. He is a geologist by profession and prior to joining Venture he spent over 10 years with LASMO. His positions within LASMO included Chief Geologist in Indonesia and New Business Manager in Pakistan. Prior to joining LASMO he served in several senior technical positions for Conoco, Texas Eastern and Thomson North Sea.

05 Laurence Kinch**
Non-Executive Director
aged 50

Mr Kinch is a founder and was appointed a Director of Venture in November 1996. He is a petroleum engineer by profession and his previous experience was with Schlumberger, Shell and BP as an engineer. In 1985, Mr Kinch co-founded Petroleum Engineering Services, an Aberdeen based oilfield equipment and services company, which was acquired by Halliburton Company in February 2000.

06 David Morrison**
Non-Executive Director,
aged 45

Mr Morrison was appointed a Director of Venture in October 1999. Mr Morrison is Chief Executive of Prospect Investment Management Limited, a venture capital investment management company. Clients of Prospect are shareholders in Venture. He has spent most of his working career in the venture capital industry. He began his career with 3i Group Plc and subsequently spent 13 years with Abingworth Management Limited.

07 Jonathan Farber*
Non-Executive Director
aged 35

Mr Farber was appointed a Director of Venture in October 1999. Mr Farber co-founded Lime Rock Partners in 1998 and is responsible for Lime Rock's investments in the petroleum exploration and production sector. Lime Rock is a shareholder in Venture. Prior to founding Lime Rock he was a Vice President in the Energy Group in Goldman Sachs. From 1990 until 1995 Mr Farber worked in the research department of Goldman Sachs in New York where he was responsible for covering small capitalisation exploration and production companies in the US and Canada.

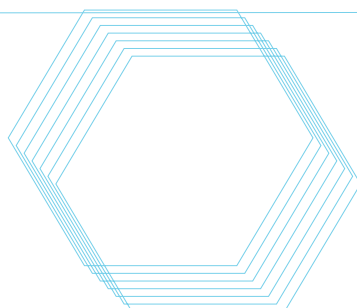
08 Mark Nicholls**
Non-Executive Deputy Chairman and Senior Independent Director
aged 54

Mr Nicholls was appointed a Director of Venture in January 2004. Having qualified as a solicitor, he spent most of his career with SG Warburg becoming head of corporate finance and a main board director of the SG Warburg Group. More recently his broad knowledge of the financial market place was applied at the Royal Bank of Scotland Group where he was managing director of the private equity group. Currently his other non-executive directorships include Bovis Homes Group plc, where he chairs the Audit Committee, Portman Building Society and the City of London Investment Trust plc. In 2003 he was appointed as Protector of the National Lottery Fair Share Fund.

* Member of the Audit Committee

+ Member of the Remuneration Committee





Directors' Report

The directors present their report and audited accounts for the year ended 31 December 2003.

Principal activity, review of the business and future developments

The principal activities of the Group are oil and gas production. Its specific focus is on the exploitation of discovered but undeveloped fields, known as 'stranded' reserves, through the application of modern technology and oilfield operating practices. The Chairman's and Chief Executive's Review, Review of Operations and Financial Review describe the significant developments in the business during 2003 and the Group's future prospects.

Results and dividends

The Group's profit for the financial year amounted to £13,697,000 (2002: £7,176,000), which will be transferred to reserves. The directors do not recommend the payment of a dividend.

Post Balance Sheet Events

Details of Post Balance Sheet Events are provided in Note 27 of the accounts.

Annual General Meeting

The Annual General Meeting of the Company will be held on 9th June 2004. Notice of this meeting accompanies this report.

Communication with shareholders

Ongoing communication with shareholders is given high priority. There is a regular dialogue with significant shareholders including presentations both when required and following the preliminary announcement of financial results. The Company has its own web-site (www.vpc.co.uk) on the internet for the purposes of improving information flow to shareholders as well as potential investors. The board welcomes the attendance and participation of all shareholders, private and institutional investors, at the Annual General Meeting where general business presentations are made.

Donations

During the year the Group made charitable donations amounting to £6,100 (2002: £3,800). It is the Company's policy to support charitable organisations in the communities where its businesses are located or with which employees are directly involved.

Substantial shareholders

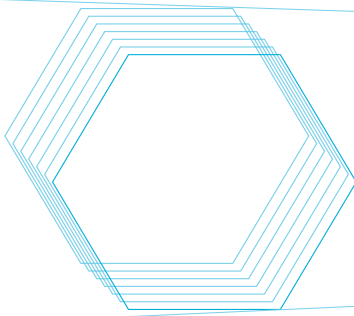
The following table details those shareholders who hold more than 3% of the ordinary share capital of the Company:

Ordinary shares of 0.4p each	23 April 2004
LW Kinch	12,730,572
3i Group plc	12,286,730
Fidelity International Limited	10,751,954
Riverside Investments LLC (Lime Rock Partners)	8,675,440
Estate of Lord Weinstock decd. (Clients of Prospect Investment Management Ltd)	6,946,086
RIT Capital Partners plc (Clients of Prospect Investment Management Ltd)	6,945,736
The Capital Group Companies Inc	6,500,000
Artemis Investment Management	6,125,121
BAI Dingwall	4,153,750

Creditor Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003, the Group had an average of 40 days (2002: 38 days) purchases outstanding.



Directors' Remuneration Report

Part 1 Unaudited Information

As proposed by the Combined Code and the Directors' Remuneration Report Regulations 2002, this report has been prepared by the Remuneration Committee and has been approved by the board.

Remuneration Committee

The Remuneration Committee ("the Committee") is comprised entirely of non-executive directors. The membership throughout 2003 was John Morgan (Chairman), Laurence Kinch, Jonathan Farber and David Morrison. Mark Nicholls was appointed to the Committee in January 2004.

The Committee meets at least twice per annum. Its prime responsibility is to determine the remuneration policy and the implementation practice in relation to the salaries, major benefits and service agreements provided to the executive directors with due regard to performance and the interests of the shareholders. The Committee also considers the broader application of remuneration policy throughout the Company, ensuring that the interests of all the employees are aligned with those of the shareholders. The Committee will also be responsible for reviewing the outcome of the shareholder vote on the 2003 Remuneration Report in order that future decisions can take account of the views of the shareholders.

None of the executive directors is responsible for determining the level of his own remuneration and benefits package and none of the executive directors holds non-executive directorships with other organisations.

Terms of Reference

The Committee reviewed its terms of reference during 2003 following the publication of the Combined Code on Corporate Governance. This review ensured that the Committee's terms remained focused on developing and managing a remuneration policy which would attract and retain high calibre directors and motivate them by linking a significant proportion of their reward to corporate and individual performance and aligning their interests with those of the shareholders. The Committee also actively reviews and determines the level and structure of the remuneration provided to the senior managers as well as the overall remuneration policy for the employees.

The Board has approved the Committee's new terms of reference.

Advice to the Committee

The Committee has received information and advice during the year from the consulting firm MM&K Limited (MM&K). This related particularly to the development and implementation of a Share Incentive Plan (SIP), the development and implementation of a Long Term Incentive Plan (LTIP) for executive directors and senior managers and conducting a benchmarking exercise relating to the salaries of

the executive directors. MM&K also assisted with the development and implementation of a new company-wide performance appraisal process. MM&K have also given advice in relation to the preparation of this report. They are not retained to provide consulting services to any other part of the Company. MM&K are likely to remain as advisers to the Committee throughout 2004.

The Committee has also consulted the executive directors on matters relating to the performance of other senior executives and of the Company.

Remuneration Policy

The Company continues to pursue a remuneration policy based on the linkage between individual performance and the achievement of corporate objectives. The implementation of the performance appraisal process will make that linkage very visible to all employees.

The Company's base salaries are positioned at or around the median level for similar jobs within the oil and gas sector. In 2004, the annual bonus will increase to 35% of base salary for on-target performance (25% in 2003). Specific individual performance objectives will be agreed in advance with directors, managers and staff and then monitored closely throughout the year in order to determine the appropriate bonus award. These objectives will be consistent with the short-term objectives of the Company, which are set by the board at the beginning of each year and with the Company's longer-term objectives.

The review of overall remuneration policy undertaken in 2002 concluded that the Share Option arrangements do not provide appropriate incentive or motivation to deliver the Company's challenging growth plans. Therefore, The Venture Production Limited Unapproved Share Option Plan ceased to be an appropriate mechanism to incentivise the Company's executive directors, key managers and employees. No further options were granted under the plan in 2003 and no further options will be granted under the Plan in the future.

Awards of options under The Venture Production plc 2002 Employee Share Option Scheme will only be made in exceptional circumstances as the SIP was implemented in October 2003 (see next page).

Executive Directors' Remuneration

During 2003 the executive directors were paid a base salary that was broadly positioned at or slightly below the median level when compared with similar positions within the oil and gas sector. Additionally they received an annual bonus relating to performance in 2002, the overall extent of which was determined by achievement of both corporate and individual performance objectives. They were also invited to participate in the newly approved and implemented discretionary LTIP and the SIP.

Going forward, it is intended that the executive directors will be remunerated on broadly the same basis as all other members of staff with base salary at median level, annual bonus potential of 35% of base salary for on target performance (25% in 2003) and participation in the SIP. Such performance shall be measured against agreed personal objectives as well as corporate targets, including production, financial, operational milestone and HSE objectives. Additionally, they participate in the discretionary LTIP, which will have the capacity to deliver a substantial award of shares if exceptionally challenging performance targets are met over the period between 1st January 2003 and 31st December 2006. The Remuneration Committee believes the LTIP demonstrates a clear linkage between management and shareholders' interests, establishes performance at both an individual and corporate level and provides an appropriate level of reward for exceptional performance.

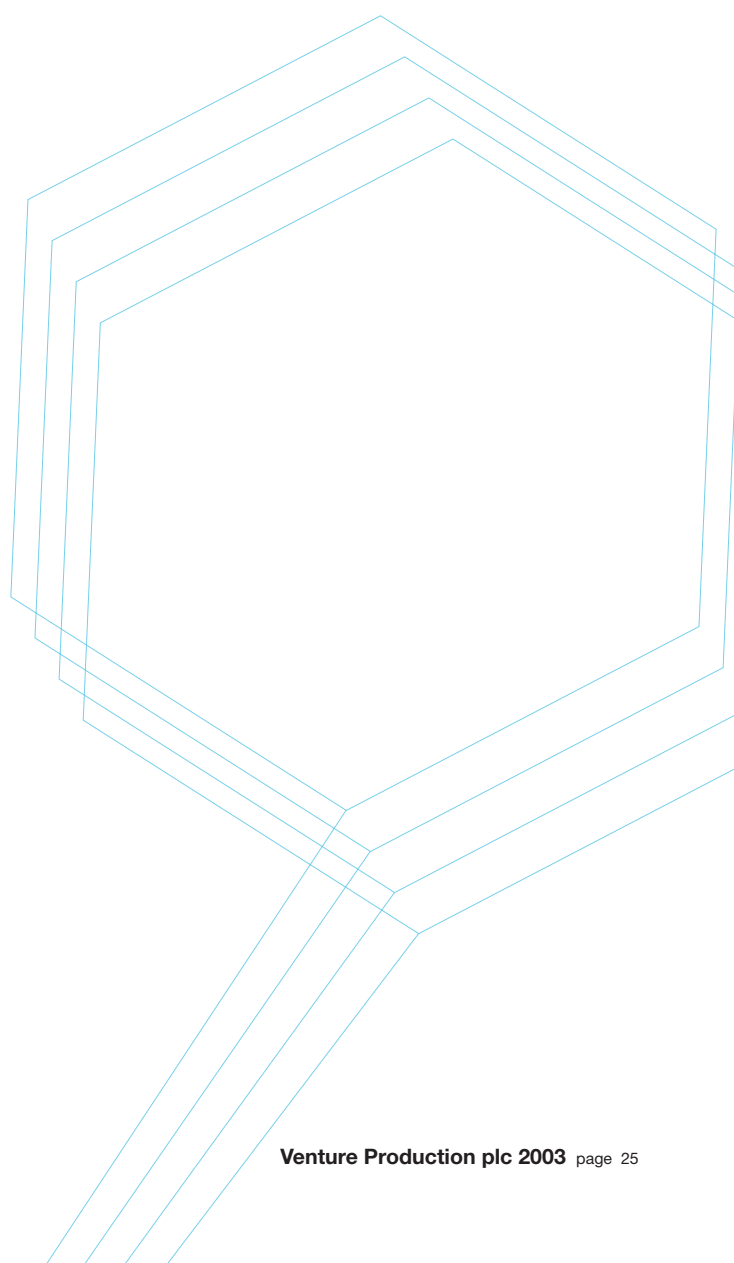
The Venture Production plc Share Incentive Plan

The Venture Production plc (SIP) was implemented in October 2003 following approval by shareholders at the AGM held in June 2003. The overall objectives for implementing the SIP were to assist with recruitment, support the retention of key skills, reward loyalty and commitment, enhance the alignment of employee and shareholder interests, and to do so with maximum tax efficiency. To this latter end, the Plan has been submitted for and been granted Inland Revenue approval.

Within prescribed limits, employees, including directors, can purchase Partnership Shares via payroll deductions from gross pay, before the application of income tax and National Insurance Contributions (NICs). Until further notice, Venture will award two Matching Shares for each Partnership Share purchased, at no cost to employees. Additionally, employees can register for any awards of Free Shares, but these are only made if the Company achieves pre-determined and published corporate objectives during the year. Matching and Free Shares are exempt from income tax and NICs at the date of award.

Employees must have at least six months continuous service with the Company to be eligible to buy Partnership Shares. Free Shares are only available to those who are employed by the Company on or before 30th June in a particular performance year and remain continuously employed until an award date (normally in April following the end of the Company's financial year). All SIP shares must be held in trust, normally for at least five years, to retain the full income tax and NICs advantages.

At the launch of the SIP in October 2003, 79% of eligible employees applied to purchase Partnership Shares and 80% elected to receive Free Shares.



Directors' Remuneration Report

(continued)

The Long Term Incentive Plan for Key Management

The LTIP was implemented following the approval of shareholders at the AGM in June 2003. It was designed as a discretionary plan to provide an incentive to the executive directors and a small number of senior managers to deliver the challenging corporate objectives that have been agreed for the period 1st January 2003 up to and including 31st December 2006 (the performance period). The LTIP has not been designed as a rolling plan and will terminate on 31st December 2006.

Each of the participants could receive a substantial award of shares if the demanding growth targets are met and the value of the Company is maximised for all stakeholders over the performance period.

The key growth indicators are production, independently appraised proven and probable reserves and growth in earnings per share. There is no comparison to other companies within a peer group because there is not a sufficiently wide group of directly comparable companies. Also, making the comparison absolute rather than relative focuses attention on the achievement of the key performance indicators over the next period of the Company's growth.

The LTIP sets threshold, target and maximum levels for each key performance measure. No share distribution will be made for below threshold performance. Also, a pre-condition to any award being made under the LTIP is that over the performance period, the total return to shareholders, as reflected by the market price of an ordinary share and the amount of any dividends paid to ordinary shareholders over that period must be at least 15% per annum compound. If the pre-condition is met, each key performance measure carries an equal weighting and one third of the number of shares provisionally awarded to each participant is attributed to each. There is a Threshold, Target and Maximum level of performance for each performance measure as follows:

	Production *	Reserves **	EPS Growth PA ***
Threshold	45,000 boepd	150 MMboe	24% compound
Target	65,000 boepd	180 MMboe	35% compound
Maximum	75,000 boepd	220 MMboe	40% compound

* Production targets represent the average daily levels of production of oil and gas in barrels of oil equivalent which must be achieved in the final quarter of the financial year ending on 31st December 2006.

** Reserves targets represent the independently appraised Proven and Probable reserves of oil and gas for the financial year ending 31st December 2006.

*** EPS growth targets represent the annual compound rate of growth for the period starting on 1st January 2003 and ending on 31st December 2006, taking EPS for the year ended 31st December 2002 as the base. If the average annual oil price realised exceeds \$25 per barrel or falls below \$18 per barrel this measure will be normalised to the top or bottom end of the range respectively. If the average annual oil price is in the range between \$18 and \$25 per barrel no price adjustment will be made.

Ordinarily, shares become distributable after the end of the performance period as follows:

Performance	Threshold	Target	Maximum
% of attributed shares distributable:	50%	100%	150%

For performance at levels between threshold and target and from target up to maximum, the number of shares distributable is determined on a straight-line sliding scale. If performance in respect of any of the measures falls below the threshold level none of the shares attributed to that measure would be distributable.

Provisional awards totalling 4,050,000 shares have been notified to the executive directors and seven other members of the senior management team. Awards are provisional because distributions are dependent on the performance targets being met and also on continued employment

Progress throughout 2003 toward the LTIP targets is summarised in the table below, after having adjusted the EPS figures in accordance with the rules:

All data as at 31 st December	Production (boepd)	Reserves (MMboe)	Adjusted Earnings per share (EPS)
2003	13,364	93.0	10.6
2002	8,681	49.7	6.1
% change	53.9%	87.1%	73.2%

If the performance in 2003 is maintained until 31st December 2006, the projected outcome will be as follows:

	Projected outcome	Result
Production	48,714 boepd	Above threshold but below target
Reserves	609 MMboe	Above maximum
EPS	55.1p	Above maximum

However, the presence of the Total Shareholder Return ("TSR") pre-condition would have prevented a distribution to the participants had the performance period been over only one year in 2003.

The Venture Production Company Limited Unapproved Share Option Plan

At the date of listing, 8,270,500 options were either granted or promised to be granted under the Plan.

It was the Company's policy to promise to grant share options to new employees on joining the Company and at subsequent specified dates. The nature of the promises varied depending upon whether the date of joining was before or after 1st April 2001. If the date of joining was before 1st April 2001, the promise was either a Tranche 1 Promise (conditional upon remaining in employment at the proposed date of grant) or a Tranche 2 Promise (conditional upon both remaining in employment and on the attainment of corporate performance targets at the proposed date of grant). Employees receiving a Tranche 1 Promise were granted options on the date on which they joined the Company and then subsequently on the first, second, third and fourth anniversaries of the joining date. Employees receiving a Tranche 2 Promise are due to receive options subject to the attainment of corporate performance targets for the financial years ending 31st December 2001, 2002 and 2003. Grants are then made on 1st April following the end of the financial year and on the relevant anniversaries of that date subject to the employee continuing in employment on that date.

Employees joining the Company on or after 1st April 2001 were promised a grant of options conditional upon the attainment of corporate performance targets as set by the Remuneration Committee. In each case, the employee was granted options on his/her date of joining with a promise of further awards on the first, second, third and fourth anniversaries of the joining date subject to remaining in employment. Options remain exercisable for 10 years from the date of grant, not the date of promise. Consequently, as the last Tranche 2 Promises will not be granted until 2006, they will remain exercisable until 2016.

No options were awarded to directors under this Plan in 2003.

The Venture Production plc 2002 Employee Share Option Scheme

The scheme has both Inland Revenue approved and unapproved sections (A and B respectively).

Awards of options under Section A of the scheme are made at the discretion of the Remuneration Committee and at market value. The awards are conditional upon corporate performance targets approved by the committee and the subsequent level of awards is decided by the committee following a review of performance. Options cannot be exercised more than ten years after the date of grant. Grants will be limited to £30,000 worth of ordinary shares per employee calculated by reference to the market value of the Company's ordinary shares at the time the options are granted.

Awards of options under Section B are subject to rules which are broadly similar to those applying to Section A. However, limits are set such that no individual shall be awarded options if the aggregate value of all options or participation in any other employees' share scheme operated by the Company in the twelve month period preceding the proposed date of grant exceeds 200% of his or her annual remuneration at the time of the proposed grant.

No options were awarded to directors under the 2002 Scheme in 2003.

Service Contracts and Letters of Appointment

The executive directors have entered into service contracts with the Company and the non-executive directors have letters of appointment as follows:

	Date of latest contract/ letter of appointment	Unexpired term	Notice period to be given by the company	Notice period to be given by the director	Contractual provision for compensation
Executive Directors:					
B A I Dingwall	11.03.02	Continues until terminated	6 months	6 months	See below
M J Wagstaff	11.03.02	Continues until terminated	6 months	6 months	See below
J D Murphy	11.03.02	Continues until terminated	6 months	6 months	See below
Non-Executive Directors:					
J C Morgan	11.03.02	Expires 9 th June 2004	None stated	None stated	See below
L W Kinch	11.03.02	Expires 9 th June 2004	None stated	None stated	See below
J Farber	11.03.02	Expires 9 th June 2004	None stated	None stated	See below
D J Morrison	11.03.02	Expires 9 th June 2004	None stated	None stated	See below
M P Nicholls	11.03.02	Expires 9 th June 2004	None stated	None stated	See below

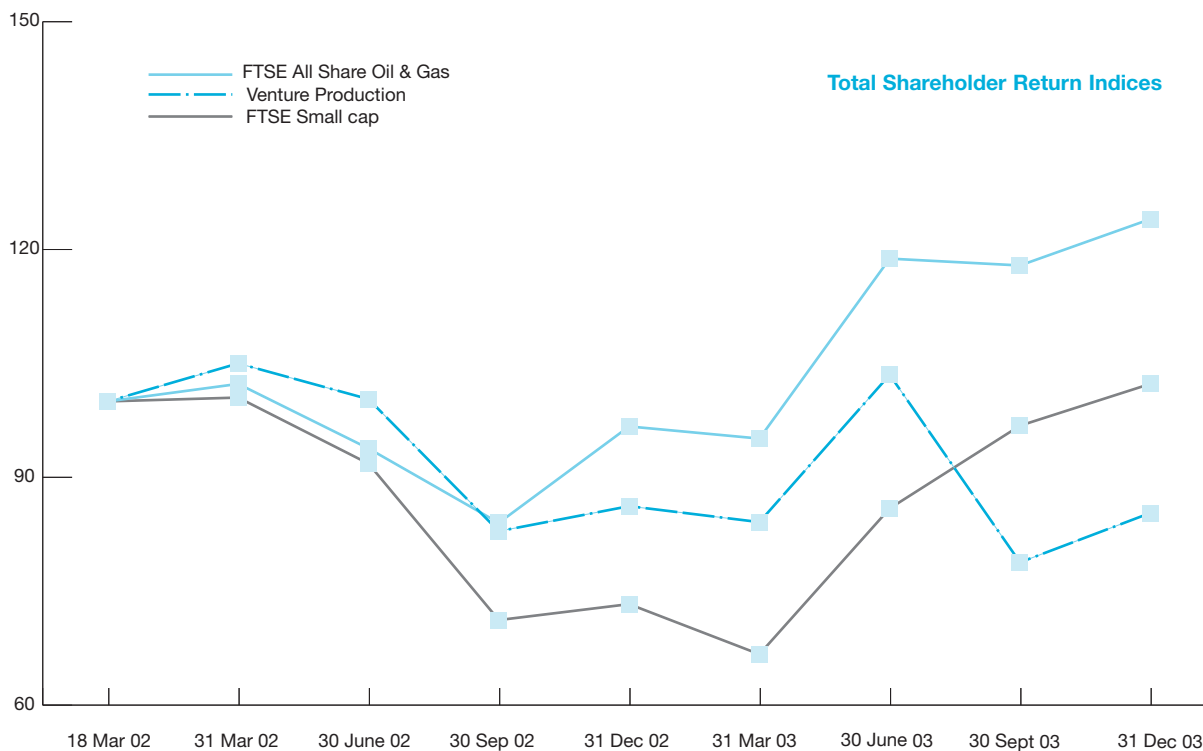
In the event that an executive director's employment is terminated as a result of a change of control of the Group or if he or she is required to take an alternative non-equivalent position within six months of a change of control then this will be deemed to be constructive dismissal and the notice period referred to in the table above will be treated as having been increased to twelve months immediately prior to such deemed dismissal.

In the event that a non-executive director's employment is terminated or he or she resigns voluntarily, there may be an entitlement to a severance payment of either £10,000 or the amount that would have been payable for the unexpired term under the letter of appointment.

Directors' Remuneration Report

(continued)

Performance Graph



The graph above shows the TSR for Venture Production plc against the TSR for the Financial Times Stock Exchange ("FTSE") indices for companies with a small market capitalisation ("Small Cap") and also against all the FTSE All Share Oil and Gas Sector ("Oil & Gas") companies. Both indices are deemed relevant when considering the Company's current stage of development and are shown in order to offer comprehensive information to shareholders. The graph reflects the TSR calculated at the quarter end dates during the period that the Company has been listed.

During the first half of 2003 the Company's share price broadly tracked both the Small Cap and Oil and Gas indices. In the third quarter of the year a fall in the relative share price of the Company occurred following announcements made at the time when the Interim Statement for 2003 was released. Since then, the share price has followed the sector's upward trend. It should be noted that due to the relatively narrow shareholder base, small volume trades can have a disproportionate effect on the Company's share price.

Directors' Emoluments and Pension Contributions

Directors' emoluments were as follows:

	Salaries and fees £'000	Bonuses £'000	Benefits £'000	Total 2003 £'000	Total 2002 £'000
B A I Dingwall	206.2	25.0	10.8	242.0	250.9
M J Wagstaff	173.7	25.0	0.8	199.5	206.0
J D Murphy	162.8	25.0	0.6	188.4	194.6
J C Morgan	31.2	-	-	31.2	15.0
L W Kinch	10.0	-	-	10.0	7.5
J Farber	10.0	-	-	10.0	7.5
D J Morrison	10.0	-	-	10.0	7.5
Aggregate emoluments	603.9	75.0	12.2	691.1	689.0

Benefits comprised private medical insurance for each of the three executive directors. Mr Dingwall has a Company car that has a benefit value of £10,000 per annum.

In addition, pension contributions made by the Company in respect of the directors were as follows:

	2003 £'000	2002 £'000
B A I Dingwall	21.0	19.4
M J Wagstaff	17.7	16.3
J D Murphy	16.5	15.3
J C Morgan	-	-
L W Kinch	-	-
J Farber	-	-
D J Morrison	-	-
Aggregate contributions to defined contribution pension schemes	55.2	51.0

The Company has a commitment to make payment pension contributions of 10 per cent of the basic annual salary of each executive director. The Company has no further obligations relating to the pension arrangements of the executive directors.

The Long Term Incentive Plan for Key Management

In 2003, the provisional awards to the executive directors were as follows:

	Number of shares provisionally awarded
B A I Dingwall	800,000
M J Wagstaff	800,000
J D Murphy	800,000

No further provisional awards will be made.

Directors' Remuneration Report

(continued)

The Venture Production plc Share Incentive Plan

The three executive directors applied to purchase Partnership Shares and elected to receive Free Shares if awarded. As at 31st December 2003, they had acquired the following shares:

	Partnership Shares: purchased on a monthly basis at prices between £1.230 and £1.431	Matching Shares: awarded on a two for one basis and purchased on a monthly basis at prices between £1.230 and £1.431 and vesting in 2006	Total of Partnership and Matching Shares
B A I Dingwall	188	376	564
M J Wagstaff	188	376	564
J D Murphy	188	376	564

No Free Shares were awarded to any of the executive directors or any other employees during 2003.

Directors' Option Holdings

Details of directors' options to subscribe for shares in Venture Production plc are detailed below. No options are held over any other group company. To date no director has exercised any option and therefore no gains have been realised.

Interest in share options as at 31 December 2003 were as follows:

Expected Date of Grant	Options due to be granted *		Options granted					
	Number	Date of Grant	Earliest Exercise Date	Expiry Date	Exercise price (per share)	No. as at 1 Jan 03	Granted in 2003	No. as at 31 Dec 03
B A I Dingwall								
		01/10/00	01/10/00	30/09/10	84.4p	187,500	-	187,500
		01/03/01	19/03/02	28/02/11	84.4p	375,000	-	375,000
		01/10/01	01/10/01	30/09/11	84.4p	125,000	-	125,000
		01/04/02	01/04/02	31/03/12	84.4p	21,400	-	21,400
		01/10/02	01/10/02	30/09/12	84.4p	125,000	-	125,000
		01/04/03	01/04/03	31/03/13	84.4p	-	13,500	13,500
		01/04/03	01/04/03	31/03/13	84.4p	-	21,400	21,400
		01/10/03	01/10/03	30/09/13	84.4p	-	125,000	125,000
01/04/04	21,200	01/04/04	01/04/04	31/03/14	84.4p	-	-	-
01/04/04	13,250	01/04/04	01/04/04	31/03/14	84.4p	-	-	-
01/04/04	13,500	01/04/04	01/04/04	31/03/14	84.4p	-	-	-
01/04/05	13,250	01/04/05	01/04/05	31/03/15	84.4p	-	-	-
01/04/05	13,250	01/04/05	01/04/05	31/03/15	84.4p	-	-	-
01/04/06	13,250	01/04/06	01/04/06	31/03/16	84.4p	-	-	-
	87,700					833,900	159,900	993,800
M J Wagstaff								
		02/08/99	02/08/99	01/08/09	62.0p	250,000	-	250,000
		01/06/00	01/06/00	31/05/10	62.0p	218,750	-	218,750
		01/03/01	19/03/02	28/02/11	84.4p	375,000	-	375,000
		01/06/01	01/06/01	31/05/11	62.0p	218,750	-	218,750
		01/04/02	01/04/02	31/03/12	84.4p	10,800	-	10,800
		01/04/03	01/04/03	31/03/13	84.4p	-	6,750	6,750
		01/04/03	01/04/03	31/03/13	84.4p	-	10,600	10,600
01/04/04	10,600	01/04/04	01/04/04	31/03/14	84.4p	-	-	-
01/04/04	6,750	01/04/04	01/04/04	31/03/14	84.4p	-	-	-
01/04/04	6,750	01/04/04	01/04/04	31/03/14	84.4p	-	-	-
01/04/05	6,500	01/04/05	01/04/05	31/03/15	84.4p	-	-	-
01/04/05	6,750	01/04/05	01/04/05	31/03/15	84.4p	-	-	-
01/04/06	6,500	01/04/06	01/04/06	31/03/16	84.4p	-	-	-
	43,850					1,073,300	17,350	1,090,650

Options due to be granted *		Options granted						
Expected Date of Grant	Number	Date of Grant	Earliest Exercise Date	Expiry Date	Earliest price (per share)	No.as at 1 Jan 03	Granted in 2003	No. as at 31 Dec 03
J D Murphy								
		01/03/99	01/03/99	28/02/09	43.6p	100,000	-	100,000
		02/08/99	02/08/99	01/08/09	43.6p	25,000	-	25,000
		01/10/00	01/10/00	30/09/10	84.4p	250,000	-	250,000
		01/03/01	19/03/02	28/02/11	84.4p	375,000	-	375,000
		01/03/01	01/03/01	28/02/11	43.6p	25,000	-	25,000
		01/10/01	01/10/01	30/09/11	84.4p	125,000	-	125,000
		01/03/02	01/03/02	28/02/12	43.6p	25,000	-	25,000
		01/04/02	01/04/02	31/03/12	84.4p	10,800	-	10,800
		01/10/02	01/10/02	30/09/12	84.4p	112,500	-	112,500
		01/03/03	01/03/03	28/02/13	43.6p	-	25,000	25,000
		01/04/03	01/04/03	31/03/13	84.4p	-	10,600	10,600
		01/04/03	01/04/03	31/03/13	84.4p	-	6,750	6,750
01/04/04	10,600		01/04/04	31/03/14	84.4p	-	-	-
01/04/04	6,750		01/04/04	31/03/14	84.4p	-	-	-
01/04/04	6,750		01/04/04	31/03/14	84.4p	-	-	-
01/04/05	6,750		01/04/05	31/03/15	84.4p	-	-	-
01/04/05	6,500		01/04/05	31/03/15	84.4p	-	-	-
01/04/06	6,500		01/04/06	31/03/16	84.4p	-	-	-
	43,850					1,048,300	42,350	1,090,650
J C Morgan								
		30/05/98	30/05/98	29/05/08	18.0p	250,000	-	250,000
		30/05/99	30/05/99	29/05/09	54.8p	125,000	-	125,000
		30/05/00	30/05/00	29/05/10	77.38p	62,500	-	62,500
		30/05/01	30/05/01	29/05/11	84.4p	62,500	-	62,500
		01/10/01	19/03/02	30/09/11	84.4p	125,000	-	125,000
		01/06/02	01/06/02	31/05/12	80.0p	31,250	-	31,250
						656,250	-	656,250
TOTAL	175,400					3,611,750	219,600	3,831,350

*Subject to conditions being met

The market price of the Company's shares at 31st December 2003 was 145.0p and the range of prices between 1st January 2003 and 31st December 2003 was between 122.5p and 176.0p.

Directors and their interests

The directors who held office during the year and their beneficial interests in the shares of the Company at the beginning and end of the year were as follows:

	Number of ordinary shares of 0.4p each	
	2003	2002
L W Kinch	12,730,572	12,939,572
B A I Dingwall	4,154,053	4,403,000
M J Wagstaff	874,637	546,421
J D Murphy	243,564	75,000
J C Morgan	-	-
J Farber	-	-
D J Morrison	-	-
M P Nicholls	-	-

Corporate Governance

The board recognises the importance of and is committed to maintaining the highest standards of corporate governance in a manner appropriate to a company of its size. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the provisions set out in the Combined Code issued in June 1998.

Whilst there is no obligation to report on the application of the Revised Combined Code, as issued by the Financial Reporting Council in July 2003 the board recognises the fundamental importance of these changes. This report seeks to identify and explain to shareholders areas where the board has adopted governance processes that differ from those set out in the revised code and provide an explanation as to why the board considers it to be in the best interest to have done so.

Statement by the Directors on Compliance with the Provisions of the Combined Code

The board is satisfied that the Company has been in compliance with the provisions set out in Section 1 of the current Combined Code issued in June 1998 throughout the year, except for the establishment of a Nomination Committee.

The Board and Committees

Board

During 2003 the board comprised the non-executive chairman, the chief executive, the finance director, chief operating officer and three non-executive directors. In last year's Annual Report the board expressed its confidence in the independence of the three non-executive directors (Messrs Farber, Kinch and Morrison) in bringing their respective experience and judgement to bear in support of Venture's shareholders. This remains the board's view. However, in the light of the independence criteria contained in the Revised Combined Code, the board acknowledges that the external perception of independence for these members is more difficult. As far as the non-executive chairman is concerned, Mr Morgan holds options in the Company as a result of his original remuneration agreement. This agreement was revised to a fee basis at the time of the IPO and the board is unanimous in regarding Mr Morgan as fully independent.

The Venture board reflects the Company's short history and it is natural that both the founding investors and early venture capital investors should have board seats. As indicated at the time of the IPO, a senior independent director (and deputy chairman) joined the board in January in the person of Mr Mark Nicholls. Mr Nicholls brings considerable public company and financial experience and he will take on the chairmanship of the Audit Committee and has joined the Remuneration Committee.

It is the board's objective to recruit a further suitably qualified independent non-executive director in the course of the next twelve months. The consequence is that Venture should come into

line with the Revised Combined Code recommendations on board composition over the next twelve months. Over the same period the board intends each committee to include two independent non-executive directors (other than the chairman) but it is not the board's intention to remove existing committee members purely on the grounds of a potential independence "label" concern, where such members are able to make a positive and appropriate contribution.

In addition to the issue of independent board membership the board has reviewed the full range of corporate governance issues in the light of the Revised Combined Code and a number of changes have been, or are being, adopted. The schedule of matters reserved for the board has been revised to bring it into compliance, as have the terms of reference of the Audit and Remuneration Committees. A board and committee assessment process was introduced for the first time and will be refined and developed for future use. A performance appraisal process for the chairman was coordinated by the senior independent director.

The board has re-affirmed its earlier decision to continue to exercise the functions of a Nomination Committee as a full board. This reflects its view of the importance of these functions and the small scale of both the board and the Company. The board is satisfied that in doing this it has proper process for applying the main and supporting principles of the Revised Combined Code. The board's position regarding establishing a Nomination Committee will be kept under review.

In recruiting a new independent director, the board agreed the process (the use of an external search agency), the job and person specification, the final selection and the key appointment terms. The board satisfied itself that the selected candidate had adequate time available to perform the job. Certain tasks within the overall process, such as liaison with the search agency and holding of initial interviews were delegated to specified board members. The selected candidate was provided with information on the Company and access to the Company's advisors prior to formal appointment. The subsequent induction process covered the operational activities of Venture, including key risks associated with the Company's activities, the role of the board and matters reserved for its decision, the tasks and membership of the board committees, the board's governance policies and the latest financial information on the Company.

The board has also re-affirmed its decision not to establish an Internal Audit function in view of the scale of the organisation. However, as part of the risk review and assessment process the board and executive management will consider whether there are areas of activity which should be evaluated against a "best practice" template and in such cases appropriate external expertise will be engaged to carry out an evaluation.

On a number of occasions the chairman has met with the non-executive directors of the Company without the executive directors and it is intended to continue this practice from time to time.

The Company's Memorandum and Articles of Association require that one third of the directors must submit themselves for re-appointment each year, by rotation. Additionally, newly appointed directors will submit themselves for election at the Annual General Meeting following their appointment.

The board recognises its key role as the link in the chain of authority between the shareholders and the chief executive and its responsibility to represent and promote the interests of shareholders. The board is accountable to shareholders for the performance of the Company. The formal channels used by the board to communicate with shareholders include the Annual Report and Accounts, Interim Accounts, half-yearly announcements made through the London Stock Exchange and the Annual General Meeting of shareholders.

The board meets regularly on a quarterly basis, reviewing performance against budget, monitoring and setting strategy, examining acquisition and significant development opportunities and funding, and reporting to shareholders. Additional formal meetings are held when necessary and formal meetings are supplemented by minuted telephone conference calls when appropriate. To enable the board to discharge its duties, all directors receive appropriate and timely information. In addition all directors have complete access to the Company secretary and if required independent professional advice at the Company's expense.

In addition to its responsibility for setting strategic objectives, approving business plans and approving major transactions, the Board is responsible for setting a range of policies, including those on employee relations, health, safety and environment; ethics and internal controls. The implementation of these policies is monitored by the board and together with the Schedule of Matters Reserved for the Board they represent the key set of boundaries within which authority is delegated to the executive management.

Board Meetings and Board Attendance

During 2003 the Company held seven formal board meetings supplemented by seven telephone conference calls. Attendance at the formal board meetings was as follows:

Messrs Morgan, Dingwall, Wagstaff, Murphy and Morrison attended all meetings and participated in all calls. Mr Kinch attended all meetings and participated in four calls. Mr Farber missed one meeting and participated in five calls.

Audit Committee

During 2003 the Audit Committee was chaired by Mr Morrison and included Messrs Morgan and Kinch. Mr Nicholls joined the Audit Committee in January 2004 and it is intended that he will take over

the chairmanship of the committee following this year's AGM. Mr Morrison will remain a member of the committee.

The Audit Committee meets at least twice a year. A representative from the external auditors normally attends the meetings and in addition has unrestricted access to the chairman of the Audit Committee. The Audit Committee has the discretion to decide who, other than its members, shall attend the meetings.

The Audit Committee reviews the interim and annual accounts, internal controls and the results of the audit with the external auditors. The committee also reviews the scope of the audit and other non-audit services, remuneration and considers the appointment and reappointment of external auditors. The committee ensures that the auditors remain independent and objective. During 2003 non-audit fees totalling £46,000 were paid to PricewaterhouseCoopers LLP for tax compliance and tax recovery work. The committee considers that the provision of such services does not compromise the independence of the auditors.

The Audit Committee has reviewed its terms of reference for consistency with the Revised Combined Code and proposed a number of modifications that have been accepted by the board. A number of actions have been identified for implementation during 2004 to ensure compliance. The committee will review arrangements by which staff may raise concerns over potential improprieties. The committee will also review the overall risk management policy and process of the Company, including the system of financial controls and will make any necessary recommendations to the board. The committee will continue to review the need for the establishment of an Internal Audit function, but regardless of the outcome of this review it will advise the board of any areas where it believes that particular review is required beyond the scope of the external audit and will recommend an appropriate method for such review.

During 2003 the Audit Committee met on three occasions.

Remuneration Committee

The chairman of the Remuneration Committee is Mr Morgan. Its other members are Messrs Farber, Kinch, Morrison and Nicholls, who joined the committee in January 2004. It is responsible for reviewing and making recommendations to the board on the Company's executive remuneration structure and its cost. It also determines the basic salary and other benefits for each of the executive directors, including performance related bonus schemes, share options, pension rights and compensation payments.

Further details of the director's remuneration are given in the Remuneration Committee Report on pages 24 - 31.

Managing Risks and Internal Controls

The board receives regular reports from executive management that enable the directors to assess the nature of business risks and allow them to review the effectiveness of the controls in place to manage them. The board recognises that, as the scale of the Company increases, the nature of the risks that it faces are likely to change significantly and it seeks to keep the effect of change under regular review. For example, the operatorship of the offshore production platform in the Greater Kittiwake Area was taken on during 2003 and clearly represents a very significant development of operational responsibility.

Recognising and managing risk is a process that occurs at all levels within the Company and is an inherent part of the management culture. The process recognises not only the downside risks, but also opportunities that might otherwise be missed. At the operational level, managers are responsible for ensuring that their staff and contractors carry out risk assessments of all projects and activities to identify potential hazards. Where appropriate, independent third parties with additional specialist skills contribute to these assessments. When risks cannot be removed, controls are identified, implemented and their effectiveness monitored throughout the life cycle of the project and activity.

At the corporate level, directors formally review all significant risks to the business. The results of the processes described below and in particular of the annual risk assessment review are brought to the board in a summarised form which identifies the key risks, the likelihood of occurrence, the potential impact on the business and the actions being taken and identified to be implemented to control or mitigate the risks. The board reviews this assessment and brings its own top down contribution and judgement to bear. The resultant findings are fed back to the organisation through management to ensure a common understanding and the implementation of necessary actions.

This review process occurred once during 2003. In future it is planned to hold two board risk review sessions each year in order to enhance assurance that changing circumstances are being monitored and necessary actions being implemented.

The directors acknowledge their responsibility, under the Combined Code issued in June 1998, to establish and maintain the Group's system of internal control that safeguards the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Internal control systems reflect the particular scale of operations, business risks, cost effectiveness and overall needs of the Group. Controls are designed to identify and manage risk rather than eliminate all risks to which the Group is exposed.

As a result, any system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The process of identifying, evaluating and managing the risks faced by the Group is continuous. The key procedures the directors have established with a view to providing effective internal control are as follows:

Management Structure

The board has overall responsibility for the Group and there is a formal schedule of matters reserved for decision by the board. Each executive director has a defined sphere of overall responsibility. The executive directors together with senior managers represent the management team, which meets formally on a monthly basis to review current business matters and identify any areas of concern.

Quality and Integrity of Personnel

High quality personnel are essential to the control environment. The integrity and competence of personnel is ensured through high recruitment standards and the encouragement of personnel to identify and take responsibility for their own development training.

Identification of Business Risks

The board is ultimately responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks. However, each employee has an active role in identifying and communicating business risks within the Group. The board also engages independent professional advice on risk assessment matters as required.

Budget and Business Plan

Each year the board approves a budget (by month) plus a business plan for the next four years. This details the proposed work programme, production, financial and performance indicators and incorporates sensitivity for factors such as commodity price. Performance is reported to the board monthly with significant variances explained and key risks identified, and forecasts updated quarterly. Executive management have a quarterly performance review meeting when the business to date is reviewed and the plan going forward is assessed with particular emphasis on delivery of the business plan.

Investment Appraisal

Capital expenditure is controlled by reference to the approved budget and authorisation levels. Capital or non-routine operating expenditure above specified levels requires standard documented proposals and evaluations to be submitted to the appropriate financial authority holder. Performance is reported to the board monthly with significant variances explained and key risks identified, and forecasts updated quarterly. Complete technical, commercial and legal due diligence work is carried out on potential asset and corporate acquisitions.

Monitoring of the Internal Control Systems

The board has agreed reporting procedures to monitor key risk areas on an ongoing basis, including health and safety, legal and financial matters. An annual risk assessment review is completed and presented to the board, which identifies key risks, the probability of these risks occurring, their impact if they do occur, the strategy for handling the risk, an assessment of the controls and procedures in place and actions being taken to manage risks.

Having reviewed the systems of internal control within the Venture Group of companies, the board considers that the controls in place are adequate to provide reasonable assurance against material misstatement or loss.

Going Concern

After making enquires, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint PricewaterhouseCoopers LLP as auditors to the Group, to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company.

By Order of the Board

BK Hobden

Company Secretary

29th April 2004

Independent Auditors' Report

To the Members of Venture Production plc

We have audited the accounts which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the accounts and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial review and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

The maintenance and integrity of the Venture Production plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for changes that may have occurred to the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the profit and cash flows of the Group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Aberdeen

29th April 2004

Group Profit and Loss Account

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	71,030	52,671
Cost of sales		(45,723)	(34,345)
Gross profit	3	25,307	18,326
Administrative expenses	4	334	(4,034)
Other operating income		44	39
Operating profit	3	25,685	14,331
Interest receivable and similar income		182	130
Interest payable and similar charges	6	(2,420)	(1,736)
Profit on ordinary activities before taxation		23,447	12,725
Tax on profit on ordinary activities	7	(9,750)	(5,549)
Profit on ordinary activities after taxation	19	13,697	7,176
Finance cost of non-equity shares	18	-	(192)
Attributable to equity shareholders		13,697	6,984
Earnings per Ordinary Share			
Basic Earnings per Share	8	12.7p	6.8p
Diluted Earnings per Share	8	11.9p	6.1p

All items dealt with in arriving at the profit for the year relate to continuing activities. There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year and their historical equivalents.

Statement of Group Recognised Gains and Losses

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	13,697	7,176
Total gains recognised since last annual report	13,697	7,176

Group Balance Sheet

As at 31 December 2003

	Note	2003 £'000	£'000	2002 £'000	£'000
Fixed assets					
Tangible assets	10		178,609		127,527
Investments	11		175		318
			178,784		127,845
Current assets					
Stocks	12	899		776	
Debtors	13	18,025		12,616	
Cash at bank and in hand		3,939		2,775	
		22,863		16,167	
Creditors - amounts falling due within one year	14	(19,107)		(18,314)	
Net current assets/(liabilities)			3,756		(2,147)
Total assets less current liabilities			182,540		125,698
Creditors - amounts falling due after more than one year	15		(42,737)		(26,258)
Provisions for liabilities and charges	16		(42,869)		(16,403)
Net Assets			96,934		83,037
Capital and reserves					
Called up share capital	18		431		431
Share premium	19		77,428		77,228
Profit and loss account	19		19,075		5,378
Total shareholders' funds	20		96,934		83,037

The accounts on pages 38 to 58 were approved by the board of directors on 29th April 2004 and signed on its behalf by:

B A I Dingwall
Chief Executive Officer

M J Wagstaff
Finance Director

Company Balance Sheet

As at 31 December 2003

	Note	2003 £'000	£'000	2002 £'000	£'000
Fixed assets					
Tangible assets	10		779		678
Investments	11		190		333
			969		1,011
Current assets					
Debtors	13	120,810		101,225	
Cash at bank and in hand		613		1,045	
		121,423		102,270	
Creditors - amounts falling due within one year	14	(3,198)		(1,491)	
Net current assets			118,225		100,779
Total assets less current liabilities			119,194		101,790
Creditors - amounts falling due after more than one year	15		(35,359)		(23,325)
Provisions for liabilities and charges	16		-		(11)
Net Assets			83,835		78,454
Capital and reserves					
Called up share capital	18		431		431
Share premium	19		77,430		77,230
Profit and loss account	19		5,974		793
Total shareholders' funds	20		83,835		78,454

The accounts on pages 38 to 58 were approved by the board of directors on 29th April 2004 and signed on its behalf by:

B A I Dingwall
Chief Executive Officer

M J Wagstaff
Finance Director

Group Cashflow Statement

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	21	44,007	35,078
Returns on investment and servicing of finance	22	(1,140)	(741)
Taxation		201	(1,530)
Capital expenditure and financial investment	22	(54,281)	(63,584)
Net cash outflow before use of liquid resources and financing		(11,213)	(30,777)
Net cash inflow from financing	22	12,377	28,127
Increase/(decrease) in net cash		1,164	(2,650)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2003 £'000	2002 £'000
Increase/(decrease) in cash in the year		1,164	(2,650)
Cash flow from (increase)/decrease in debt		(12,034)	1,618
Movement in net debt in the year		(10,870)	(1,032)
Net debt at 1 January		(20,550)	(19,518)
Net debt at 31 December	23	(31,420)	(20,550)

Notes to the Accounts

1. Accounting policies for the year ended 31 December 2003

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently, throughout the current year and the preceding year.

Statement of Recommended Practice (SORP)

The accounts have been prepared in accordance with those provisions of the SORP "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued by the Oil Industry Accounting Committee. As the Group is exclusively an oil and gas producing group capitalised costs, pre-production costs incurred or provided and the results of operations of oil and gas exploration and production activities are not separately disclosed.

Consolidation

The accounts consolidate the results of the Company and its subsidiary undertakings. The Group eliminates goodwill arising on consolidation from the consolidated accounts by capitalisation and amortisation through the consolidated profit and loss account in equal annual instalments over the estimated useful life of the goodwill.

Turnover

Turnover represents the invoiced value of oil and gas supplied in the year.

Fixed assets and depreciation

Expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting. All capitalised costs associated with developed properties are considered to be tangible for the purposes of these accounts. Such costs are amortised on a unit of production basis that is calculated to write off the historic cost of each asset in line with the depletion of proved developed reserves.

Acquisition costs relating to oil and gas activities are allocated in accordance with the sale and purchase agreement.

Other assets are depreciated on the straight-line method to write off the cost less the estimated residual value over their estimated useful lives as follows:

Plant and machinery	10-33%
Office equipment	25%
Motor vehicles	25%
Buildings	5%

Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. 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 and transportation 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 discount is treated as a finance cost.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Finance leases and hire purchase agreements

Assets purchased under finance leases or hire purchase agreements are capitalised in the balance sheet and are depreciated over their estimated useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the contract on a straight-line basis and the capital element of future rentals is treated as a liability.

Operating leases

Expenditure on operating leases is charged to the profit and loss account on a basis representative of the benefit derived from the asset, normally on a straight-line basis over the lease period.

Foreign currencies

Trading activities denominated in foreign currencies are translated at the average rate for the period. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

The results of foreign subsidiaries are translated into sterling at the average rates of exchange and non-monetary assets are translated at the exchange rate in effect at the date of the transaction. All exchange gains and losses are recognised in the profit and loss account in the period to which they relate.

Derivative financial instruments

The Group uses derivative financial instruments (derivatives) to manage some of its financial exposure to changes in oil and natural gas prices. The purpose for which a derivative contract is used is identified at inception. To qualify as a derivative for risk management, the contract must be in accordance with established guidelines that ensure that it is effective in achieving its objective.

The Group does not hold derivative financial instruments for speculative purposes.

Employee share ownership plan (ESOP)

As required in UITF Abstract 13, the financial statements include the employee share ownership plan. The plan holds shares on behalf of the employee share option scheme. The directors consider that the Company has control of the shares held by the plan and bears the benefits and risks.

Shares held by the plan are shown as "own shares" within fixed asset investments and are stated at the lower of cost and the exercise price of the various options outstanding over these shares at the balance sheet date. The main features of the plan are detailed in Note 11 to the accounts.

Pension costs

Contributions made to personal pension schemes of employees, which are administered independently of the Company, are charged to the profit and loss account as incurred. The Company has no other liability in respect of defined benefit schemes.

2. Segmental reporting

In the opinion of the directors the operations of the Group comprise one class of business, the production and sale of hydrocarbons in the following geographical locations:

(1) Turnover represents the invoiced amount of goods sold during the year stated net of associated sales tax and is analysed as follows:

	2003 £'000	2002 £'000
United Kingdom	63,937	47,744
Trinidad	7,093	4,927
	71,030	52,671

There is no material difference between sales by destination and origin.

(2) Group operating profit and net assets are analysed as follows:

	Operating Profit/(Loss)		Net Assets/(Liabilities)	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
United Kingdom	25,780	15,770	103,723	88,387
Trinidad	(95)	(1,439)	(6,789)	(5,350)
	25,685	14,331	96,934	83,037

Notes to the Accounts

3. Gross profit and operating profit

	2003 £'000	2002 £'000
Gross profit is stated after charging:		
Crude oil overlift	649	5,218
Operating expenses	18,161	13,200
Well workover expenses	4,720	497
Depreciation - owned assets	16,254	13,154

Operating profit is stated after charging:

Staff Costs (Note 5)	5,207	4,392
Auditors' remuneration:		
- audit fees	93	88
- non-audit fees	46	23
Hire of plant and equipment	20	31
Operating lease rentals		
- land and buildings	304	134
Operating lease rentals		
- plant, machinery and vehicles	31	57

Auditors' remuneration in respect of the Company amounted to £18,000 (2002: £16,000). In addition to the amounts disclosed above, the Company's auditors received remuneration of £nil (2002: £160,000) in respect of their role as reporting accountants in relation to the placing of new equity.

4. Administrative expenses

	2003 £'000	2002 £'000
Administrative expenses	3,147	4,564
Gain on foreign exchange	(3,481)	(530)
	(334)	4,034

5. Staff costs

	2003 £'000	2002 £'000
Wages and salaries	4,432	3,746
Social security costs	431	328
Pension costs (Note 25)	344	318
	5,207	4,392

The average number of employees during the year was:

	2003	2002
UK	43	33
Trinidad	22	27
	65	60

6. Interest payable and similar charges

	2003 £'000	2002 £'000
Interest on loans repayable in less than 5 years	683	769
Finance charge for decommissioning provision (Note 16)	1,098	865
Loan facility expenses	630	90
Other interest	9	12
	2,420	1,736

7. Tax on profit on ordinary activities

The tax charge for the financial year at 30% (2002:30%) is analysed as follows:

	2003 £'000	2002 £'000
UK @ 30%		
Current:		
Current year	100	306
Prior year adjustments & UK supplemental tax	(2,663)	126
	(2,563)	432
Deferred:		
Current year	10,078	4,522
Prior year adjustments & UK supplemental tax	1,907	1,403
	11,985	5,925
Trinidad @ 55%		
Current year	-	(501)
Prior year adjustments & rate adjustments	328	(307)
	328	(808)
Total deferred	12,313	5,117
Tax on profit on ordinary activities	9,750	5,549

Notes to the Accounts

7. Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

		2003 £'000	2002 £'000
Profit on ordinary activities before tax		23,447	12,725
Tax @ 30%	(1)	7,034	3,817
Deferred tax			
Losses		4,159	2,841
Capital allowances & other timing differences		(16,472)	(7,958)
Deferred tax total		(12,313)	(5,117)
Eliminate rate differences (incl. prior year elements)		4,609	1,097
Notional deferred tax @ 30%	(2)	(7,704)	(4,020)
Current tax			
Disallowable items		1,042	508
Rate adjustments relating to overseas losses and UK supplemental		(213)	99
Prior year adjustments		(2,722)	28
	(3)	(1,893)	635
Current tax	(1)+(2)+(3)	(2,563)	432

Disallowable items mainly represent capital acquisition costs that are depreciated but are not eligible for capital allowances.

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. For fully diluted earnings per share the weighted average number of ordinary shares in issue during the year is adjusted to reflect the potential exercise of share options by directors or employees.

The calculation of earnings per ordinary share shown is based upon the following:

		2003 £'000	2002 £'000
Profit attributable to shareholders		13,697	6,984
Weighted average number of ordinary shares for the year	- Basic	107,767,688	102,286,706
	- Fully Diluted	114,792,209	113,689,702
Earnings per share	- Basic	12.7p	6.8p
	- Fully Diluted	11.9p	6.1p

9. Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these accounts. The Company's profit for the financial year was £5,181,000 (2002: £1,315,000).

10. Tangible assets

Group	Producing assets £'000	Buildings £'000	Plant, equipment and motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 1 January 2003	146,773	201	105	1,359	148,438
Additions	66,889	138	45	264	67,336
At 31 December 2003	213,662	339	150	1,623	215,774
Depreciation					
At 1 January 2003	20,149	24	51	687	20,911
Charge for the year	15,855	25	22	352	16,254
At 31 December 2003	36,004	49	73	1,039	37,165
Net book amount					
At 31 December 2003	177,658	290	77	584	178,609
At 31 December 2002	126,624	177	54	672	127,527

Company

	Buildings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2003	173	1,006	1,179
Additions	138	262	400
At 31 December 2003	311	1,268	1,579
Depreciation			
At 1 January 2003	11	490	501
Charge for the year	19	280	299
At 31 December 2003	30	770	800
Net book amount			
At 31 December 2003	281	498	779
At 31 December 2002	162	516	678

Notes to the Accounts

11. Investments

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Shares in subsidiary undertakings (1)	-	-	15	15
Own shares in ESOP (2)	175	318	175	318
	175	318	190	333

(1) The Company's subsidiary undertakings at 31 December 2003 were as follows:

Name	Nature of business	Country of registration/ incorporation	Percentage of nominal share capital & voting rights
Venture Production (Trinidad) Limited	Intermediate holding company	Trinidad and Tobago	100%
NAKT Company Limited	Oil production, WD-14 field	Trinidad and Tobago	Indirect 100%
Coastline International Inc	Oil and natural gas production, Tabaquite field	USA	Indirect 100%
Antilles Resources Limited	Oil production, WD-13 field	Trinidad and Tobago	Indirect 100%
Venture Production Trustees Limited	Trustee company	Scotland	100%
Venture Production Company (North Sea) Limited	Oil and natural gas production, P212 "Trees" fields	Scotland	100%
Venture Production (North Sea Developments) Limited	Oil and natural gas production from all UKCS licences except "Trees"	Scotland	100%
Ligo Ven Resources Limited	Oil production, Pt Ligoure licence	Trinidad and Tobago	Indirect 100%
Venture Production (Britain) Limited	Dormant company	Scotland	100%

11. Investments (continued)

All subsidiary undertakings are consolidated in the Group accounts. In the accounts of the Company shares in subsidiary undertakings are stated at cost.

The ESOP is funded by Venture Production plc (formerly Venture Production Company Limited) with such funds being used to acquire shares which will be granted to certain employees under the share option scheme.

During the year 507,330 (2002: 369,150) ordinary shares of 0.4p were disposed of to employees. At 31 December 2003, the ESOP held 622,363 ordinary shares of 0.4p (2002: 1,137,100).

Gains from the disposal of such shares on exercising of the options will be credited to the share premium account as they accrue.

12. Stocks

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Crude oil	252	605	-	-
Materials and supplies	647	171	-	-
	899	776	-	-

13. Debtors

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Amounts falling due within one year:				
Trade debtors	3,964	2,115	-	-
Other debtors and prepayments	12,300	10,501	1,684	-
Amounts due from subsidiary undertakings	-	-	119,094	101,225
Corporation tax refund	1,761	-	-	-
Deferred tax	-	-	32	-
	18,025	12,616	120,810	101,225

14. Creditors - amounts falling due within one year

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Trade creditors	8,561	1,372	673	147
Other creditors and accruals	10,406	16,244	2,286	885
Social security and other taxes	140	97	139	95
Corporation tax	-	601	100	364
	19,107	18,314	3,198	1,491

Notes to the Accounts

15. Creditors - amounts falling due after more than one year

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Other creditors and accruals	7,378	2,933	-	-
Bank loan (secured)	35,359	23,325	35,359	23,325
	42,737	26,258	35,359	23,325

Other creditors and accruals include deferred consideration relating to the purchase of interests in Brighton Marine/Guapo Bay, Point Ligoure blocks, Ann/Alison and Chestnut fields. Part of this consideration is dependent upon the attainment of certain production milestones.

The bank loan is secured by a bond and floating charge over the assets of the Company. The loan bears rates of interest, based on relevant national LIBOR equivalents, which are fixed in advance for periods of between one month and six months. The loan is repayable on 30 April 2008.

16. Provisions for liabilities and charges

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Provision for decommissioning	27,452	13,299	-	-
Deferred tax	15,417	3,104	-	11
	42,869	16,403	-	11

Provisions for decommissioning	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
At beginning of year	13,299	11,573	-	-
Liability on acquisition of assets	13,055	861	-	-
Finance charge for the year	1,098	865	-	-
	27,452	13,299	-	-

These decommissioning costs are expected to be incurred in the period from 2007 to 2018. The provision has been based upon existing technology, current legislation requirements and discounted using a rate of 7% (2002:7%).

Deferred tax	Group £'000	Company £'000
At 1 January 2003	3,104	11
Charge to the profit & loss account	12,313	-
At 31 December 2003	15,417	11

16. Provisions for liabilities and charges (continued)

The deferred tax liability/(asset) comprises:

	Group 2003 £'000	2002 £'000	Company 2003 £'000	2002 £'000
Losses	(14,285)	(10,126)	-	-
Capital allowances in excess of depreciation	29,702	13,230	(32)	11
	15,417	3,104	(32)	11

Deferred tax in respect of the UK and Trinidad has been calculated at rates of 40% and 55% respectively (2002 : 40% and 55% respectively).

17. Financial instruments

Exposures

The Group's main exposures to market risk comprises changes in the oil price, UK natural gas prices, exchange rate fluctuations, and interest rate movements against the revolving credit facility.

The board evaluates these risks through sensitivity analysis during the preparation of the budget and business plan. These risks are continually reviewed during the year.

In general, the Group's revenues in Trinidad and its UK crude oil sales are denominated in US dollars while its gas sales revenues in the UK are denominated in pounds sterling. While its expenses in Trinidad are predominately denominated in US dollars, in the UK production operating expenses are denominated in pounds sterling. A significant element of Venture's capital expenditure relates to costs that are denominated in US dollars.

To manage commodity price risk, Venture's policy is to hedge price exposure up to 75% of its oil and gas production in the UK and Trinidad. Hedges have been put in place with a variety of providers, the majority of which are participant banks in our current \$175 million facility. Following on from the hedges put in place during 2002, Venture has continued to purchase oil and gas hedges for future periods and details of which are contained within the financial review.

Period	Put Options Purchased		Call Options Sold		Swaps	
	Volume (bbl)	Price (\$/bbl)	Volume (bbl)	Price (\$/bbl)	Volume (bbl)	Price (\$/bbl)
2003						
Oil hedges						
January - March	450,000	18.50	300,000	26.45	-	-
April - June	270,000	18.50	270,000	25.70	455,000	29.00
July - September	715,000	18.50	255,000	26.21	460,000	29.00
October - December	368,000	18.50	-	-	460,000	29.00
					Volume (therms)	Price (p/therm)
October - December	-	-	-	-	3,920,800	30.94

Notes to the Accounts

17. Financial instruments (continued)

It is the Group's strategy to accept a degree of interest rate risk and currency risk against stronger currencies (US dollars and UK sterling) and reduce risk in softer currencies (Trinidad and Tobago dollars) by maintaining only enough finance in these currencies to fund working capital. In the period to 31 December 2003 the Group's investment programme, borrowings and income resulted in adequate self-hedging to eliminate any significant currency exposures. There were no significant perceived risks on interest rate movements with the floating rate revolving credit facility.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

Interest rate risk profile of financial liabilities

The interest rate risk profile of the Group's financial liabilities at the balance sheet date is as follows:

Currency	Floating rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000	Total £'000
Sterling			
- Financial liabilities	27,452	1,450	28,902
US Dollars	35,359	5,928	41,287
At 31 December 2003	62,811	7,378	70,189
Sterling			
- Financial liabilities	13,299	750	14,049
US Dollars	23,325	2,184	25,509
At 31 December 2002	36,624	2,934	39,558

All the Group's creditors falling due within one year (other than bank borrowings and HP/lease obligations) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability. The Group has no fixed rate financial liabilities (2002: £nil).

Included in the above table is the Group's provision of £27,452,000 (2002: £13,299,000) for decommissioning (note 16). These financial liabilities are considered to be floating rate financial liabilities. This is because in establishing the provisions, the cash flows have been discounted and the discount rate is re-appraised at each yearly reporting date to ensure that it reflects current market assessments of the time value of money and the risks specific to the liability.

Financial liabilities on which no interest is paid:

Currency	Weighted average period until maturity Years
Sterling	
- other	3.5
US Dollars	6.9
At 31 December 2003	6.2
Sterling	
- other	4.0
US Dollars	4.6
At 31 December 2002	4.4

Floating rate financial liabilities bear interest at rates, based on relevant national LIBOR equivalents, which are fixed in advance for periods of between one month and six months.

17. Financial instruments (continued)

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term trade creditors and accruals, at the balance sheet date was as follows:

	Debt £'000	Other financial liabilities £'000	Total £'000
31 December 2003			
In one year or less, or on demand	-	950	950
In more than two years but not more than five years	35,359	1,450	36,809
In more than five years	-	32,430	32,430
	35,359	34,830	70,189
31 December 2002			
In one year or less, or on demand	-	1,068	1,068
In more than two years but not more than five years	23,325	750	24,075
In more than five years	-	14,414	14,414
	23,325	16,232	39,557

Borrowing facilities

The Group has the following undrawn borrowing facilities available at the balance sheet date in respect of which all conditions precedent had been met at that date:

	2003 £'000	2002 £'000
Expiring in more than two years	24,175	20,099

The borrowing base is reviewed every six months. The main purpose of the facilities is to finance the acquisition of new assets and the development of new and existing assets. The facilities at 31 December 2003 are all at a floating rate.

Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at the balance sheet date. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. Set out below is a comparison, by category, of book values and fair values of the Group's financial assets and liabilities.

Notes to the Accounts

17. Financial instruments (continued)

	2003 Book value £'000	Fair value £'000	2002 Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations				
Long term borrowing	35,359	35,359	23,325	23,325
Other financial liabilities	34,830	34,830	16,233	16,233
Cash at bank and in hand	3,939	3,939	2,775	2,775

Summary of methods and assumptions

The fair value of short-term deposits and loans approximates to the carrying amount because of the short maturity of these instruments. The fair value of deferred consideration relating to the purchase of interests in certain fields likewise approximates to the carrying amount. The decommissioning liabilities reflected in the accounts have been discounted at a market rate of interest.

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and of the Group.

Net US Dollar monetary liabilities \$'000

2003

Functional currency of Group operation:

UK Sterling	(28,854)
Trinidad and Tobago dollars	10,540
	(18,314)

2002

Functional currency of Group operation:

UK Sterling	(24,006)
Trinidad and Tobago dollars	3,075
	(20,931)

18. Called up share capital

Number	2003	2002
Authorised:		
Ordinary shares of 0.4p	165,000,000	165,000,000
Allotted, called up and fully paid:		
Ordinary shares of 0.4p each	107,767,688	107,767,688

Value	2003 £'000	2002 £'000
Authorised:		
Ordinary shares of 0.4p	660	660
Allotted, called up and fully paid:		
Ordinary shares of 0.4p each	431	431

Non-equity finance

The following table sets out the principal and cumulative related finance costs for the preference shares. The finance cost represents the redemption premium payable on the preference shares, spread over the period to redemption at a constant rate of charge.

	Shares at cost £'000	Total non equity finance costs £'000	Total non equity shareholders' funds £'000
At 1 January 2002	475	283	758
Redemption of preference shares	(475)	(475)	(950)
Finance cost for the year	-	192	192
At 31 December 2002 and 2003	-	-	-

Options in ordinary shares

A number of permanent staff hold options to subscribe for ordinary shares in the Company under the share option schemes approved by shareholders. Options are exercisable up to 10 years after the date of grant. To date options granted to employees fall within the period from July 2008 to April 2016 to be exercised.

Notes to the Accounts

18. Called up share capital (continued)

The number of ordinary shares of 0.4p subject to options are given below:

Granted	Option price range	Average option price	Number of options
At 31 December 2002	18p - 170p	73p	7,163,300
Awarded (1)	84p - 170p	118p	760,160
Exercised	43p - 84p	68p	(496,500)
Cancelled	64p - 84p	79p	(166,750)
At 31 December 2003	18p - 170p	78p	7,260,210

Total Promised and Granted	Option price range	Average option price	Number of options
At 31 December 2002	18p - 170p	77p	8,297,966
Awarded - New	139p - 165p	151p	509,925
Exercised	43p - 84p	68p	(496,500)
Cancelled	64p - 170p	92p	(295,000)
At 31 December 2003	18p - 170p	82p	8,016,391

(1) Of which 499,041 had been awarded as promised in previous years

19. Reserves

	Profit and loss account £'000	Group Share premium account £'000	Profit and loss account £'000	Company Share premium account £'000
At 1 January 2003	5,378	77,228	793	77,230
Profit for the financial year	13,697	-	5,181	-
Gain on the exercise of share options held by ESOP	-	200	-	200
At 31 December 2003	19,075	77,428	5,974	77,430

20. Reconciliation of movement in shareholders' funds

	2003 £'000	Group 2002 £'000	2003 £'000	Company 2002 £'000
Profit for the financial year	13,697	7,176	5,181	1,315
Share capital issued at par	-	103	-	103
Premium on share issue	-	30,316	-	30,316
Gain on the exercise of share options held by ESOP	200	173	200	173
Redemption of preference shares	-	(950)	-	(950)
Net addition to shareholders' funds	13,897	36,818	5,381	30,957
Opening shareholders' funds	83,037	46,219	78,454	47,497
Closing shareholders' funds	96,934	83,037	83,835	78,454

21. Reconciliation of operating profit to operating cash flows

	2003 £'000	2002 £'000
Operating profit	25,685	14,331
Depreciation charge	16,254	13,154
(Increase)/decrease in stock	(123)	1,740
Increase in debtors	(3,648)	(3,892)
Increase in creditors	5,839	9,745
	44,007	35,078

22. Analysis of cash flows for headings in the cash flow statement

	2003 £'000	2002 £'000
Returns on investment and servicing of finance		
Interest received	182	130
Interest paid	(1,322)	(871)
Net cash outflow from returns on investment and servicing of finance	(1,140)	(741)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(54,281)	(63,584)
Net cash outflow from capital expenditure and financial investment	(54,281)	(63,584)
Financing		
Issue of shares net of expenses	-	30,419
Redemption of preference shares	-	(950)
Exercise of share options held by ESOP	343	276
Increase/(decrease) in loan facility	12,034	(1,618)
Net cash inflow from financing	12,377	28,127

Notes to the Accounts

23. Analysis of net debt

	1 January 2003 £'000	Cash flows £'000	31 December 2003 £'000
Cash in hand and at bank	2,775	1,164	3,939
Debt due after 1 year	(23,325)	(12,034)	(35,359)
Total	(20,550)	(10,870)	(31,420)

24. Operating lease commitments

The Group has commitments under operating leases to make payments in the following year as set out below:

	2003 £'000	2002 £'000
Plant and machinery and motor vehicles		
Operating leases which expire within 1-2 years	2	23
Operating leases which expire within 2-5 years	30	18
Land and buildings		
Operating leases which expire within 1-2 years	8	37
Operating leases which expire within 2-5 years	247	-
Operating leases which expire in more than 5 years	-	195

25. Pension commitments

The Group contributes to personal pension schemes on behalf of certain employees. These schemes are administered independently of the Group. The total pension cost which is charged against profit represents contributions payable by the Group and amounted to £344,000 (2002: £318,000).

26. Related party transactions

The Company has taken advantage of the 90% owned subsidiary exemption under FRS8 not to disclose related party transactions with members of the Group. There were no other related party transactions.

27. Post balance sheet events

Since 31 December 2003 the Company completed the acquisition of a further 17.7% interest in the Birch field bringing the total equity to 64.5% and completed the renegotiation of its Audrey gas sales agreement with Centrica.

28. Capital Commitments

Capital expenditure budgeted for but not provided in these accounts at 31 December 2003 amounted to £61 million (2002: £85 million).

29. Contingent Liabilities

The Company has provided credit guarantees totalling £16.6 million for abandonment security for recently acquired assets in the North Sea. It has provided a credit guarantee for £10.0 million to British Gas Trading for a gas sales agreement. It has also provided a letter of credit guarantee for \$3.0 million to Suelopetrol E&P, a Venezuelan company, secured on the ordinary stock of that company.

Notice of Annual General Meeting

Venture Production plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Copthorne Hotel, Huntly Street, Aberdeen at 2:00 pm on Wednesday 9th June 2004 to consider and, if thought fit, pass the following resolutions, resolutions 1- 8 as ordinary resolutions and resolutions 9 and 10 as special resolutions.

Ordinary Business

1. To receive and adopt the Directors' report and accounts for the year ended 31st December 2003.
2. To approve the Directors' remuneration report for the year ended 31st December 2003.
3. To elect Mark Nicholls as a director of the Company, who was appointed by the Board of Directors since the last Annual General Meeting.
4. To re-elect Jonathan Farber who retires by rotation as a director of the Company.
5. To re-elect John Morgan who retires by rotation as a director of the Company.
6. To re-elect Bruce Dingwall who retires by rotation as a director of the Company.
7. To re-appoint PriceWaterhouseCoopers LLP as auditors in accordance with section 384 of the Companies Act 1985 to hold office until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.

Special Business

8. That, in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), the directors be and they are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £143,000, provided that this authority shall expire on the fifth anniversary of the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.
9. That the directors be and are empowered, to the exclusion of and in substitution for any other such power previously granted to them and subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), to allot equity securities (within the meaning of section 94⁽²⁾ of the Companies Act 1985 (the "Act")) of the Company pursuant to the authority conferred by resolution 8 set out in the notice of this meeting, as if section 89⁽¹⁾ of the Act did not apply to such allotment, provided that this power shall expire on the fifth anniversary of the passing of this resolution and shall be limited to:-

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice.
2. This form of proxy, and the power or attorney or other authority (if any) under which it is signed or an office or notorially certified copy of it, should be lodged with the Company Secretary, Venture Production plc, 34 Albyn Place, Aberdeen, AB10 1FW not later than 48 hours before the time fixed for the holding of the meeting.
3. Completing and returning a form of proxy will not prevent the member from attending at the meeting and voting should he/she so wish.

- (a) the allotment of equity securities in connection with any rights issue or other issue or offer by way of rights (including without limitation, under an open offer or similar arrangement) to holders of equity securities (as so defined), in proportion to their respective entitlements (inter se) to such equity securities, subject to such exclusions or arrangements as the directors shall deem necessary or expedient in relation to fractional entitlements or legal problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory; and
 - (b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £21,553.
10. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 ("the Act") to make one or more market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 0.4 pence each in the capital of the Company provided that:
- (a) The maximum aggregate number of ordinary shares hereby authorised to be purchased is 10,000,000 (representing approximately 9.3 per cent of the Company's issued ordinary share capital);
 - (b) The minimum price which may be paid for such shares is 0.4 pence per share;
 - (c) The maximum price which may be paid for an ordinary share shall not be more than 5 per cent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
 - (d) Unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 12 months from the date of passing this resolution, if earlier;
 - (e) The Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

Dated 4th May 2004

By order of the Board,

B K Hobden
Company Secretary

Registered office: 34 Albyn Place, Aberdeen, AB10 1FW

4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members as at 9:00 am on 7th June 2003 shall be entitled to attend or vote at the above general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that date will be disregarded in determining the rights of the person to attend or vote at the meeting.
5. Copies of the directors' service contracts with the Company and register of directors' interests in the share capital of the Company are available at the registered office of the Company for inspection during usual business hours on a weekday from the date of this notice until the date of the meeting and at the meeting until the conclusion of the meeting.

Directors and Advisers

DIRECTORS AND ADVISERS

Directors	John Charles Morgan Bruce Alan Ian Dingwall Michael John Wagstaff Jonathan David Murphy Jonathan Clark Farber Laurence William Kinch David John Morrison Mark Patrick Nicholls	Non-Executive Chairman Chief Executive Officer Finance Director Chief Operating Officer Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Deputy Chairman
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All of First Floor, Crimon Place Wing, King's Close,
62 Huntly Street, Aberdeen AB10 1RS

Financial Adviser	Oriel Securities Limited 4 Wood Street London EC2V 7JB
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Stockbroker	Oriel Securities Limited
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Auditors	PricewaterhouseCoopers LLP 32 Albyn Place Aberdeen AB10 1YL
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Solicitors to the Company	Stronachs Solicitors 34 Albyn Place Aberdeen AB10 1FW
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Jones Day
21 Tudor Street
London EC4Y 0DJ

Registrar	Lloyds TSB Registrars Scotland Finance House Orchard Brae Edinburgh EH4 1WQ
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Bankers	The Royal Bank of Scotland 36 St Andrews Square Edinburgh EH2 2YB
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Secretary	Brian Hobden King's Close 62 Huntly Street Aberdeen AB10 1RS
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Glossary

<i>bbf</i>	Barrel
<i>boe</i>	Barrel of oil equivalent
<i>boepd</i>	Barrel of oil equivalent per day
<i>bopd</i>	Barrel of oil per day
<i>bwpd</i>	Barrel of water per day
<i>ESOP</i>	Employee Share Ownership Plan
<i>Mbbf</i>	One thousand barrels
<i>Mcf</i>	One thousand cubic feet
<i>Mboe</i>	One thousand barrels of oil equivalent
<i>MMboe</i>	One million barrels of oil equivalent
<i>MMcf</i>	One million cubic feet
<i>MMcfpd</i>	One million cubic feet per day
<i>NGL</i>	Natural Gas Liquids

Note: 6 Mcf equals 1 boe



Venture Production plc

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Aberdeen	
AB10 1RS	