Venture Production plc Interim Report & Accounts for the six months ended 30 June 2004

I am looking forward to be taking over the role as Chief Executive at an exciting time both for Venture and the industry. While remaining firmly committed to the original core strategy – the acquisition and exploitation of ‘stranded’ reserves in mature basins – we are now entering a new phase in the evolution of the Company. Although Bruce is a hard act to follow, we have created an outstanding team at Venture, focused on growth and delivery from our existing asset base as well as additional acquisitions.

Mike Wagstaff
Chief Executive

Operational Highlights

Strong Group production performance – benefits of portfolio diversification seen

Three new development projects sanctioned – two as operator

Annabel production well completed and tested at over 100 MMcfpd – on track for first production in early 2005

Birch successfully brought back on stream – significant increase in production and reserves

Audrey commercial arrangements restructured – enabling field rejuvenation

Three acquisitions since the beginning of 2004 – 15.8 MMboe of proved and probable reserves added

Chairman's and Chief Executive's Statement

2004 represents a year of transition for Venture as it expands its business from one production hub to three, building on investments made during 2003. These investments have led to the significant increase in production during 2004 and to the achievement of an improved portfolio balance. Substantial investment in the further expansion of the Group's business is taking place during 2004, through both field development and acquisitions. This investment, across all three production hubs, will contribute to substantial production growth in 2005 and beyond. The Company remains on track with the achievement of the key development milestones for 2004. Accordingly, there is a high degree of confidence that the results of this activity will be delivered next year and thereafter.

Average daily production for the first half of this year has increased by 34%, to 17,969 boepd, compared with the same period last year (first half 2003 - 13,458 boepd). However the average realised sales price of £12.75 per boe was 17% less than last year (2003 - £15.37). This decrease resulted from a higher proportion of gas than previously, the continued strengthening of sterling against the US dollar and the effects of the Group's hedging strategy. Turnover for the period was 1% higher at £35.2 million (2003 - £34.9 million) and profit before tax for the period decreased by 22% to £7.2 million (2003 - £9.2 million), after allowing for the impact of a £3.0 million impairment of the value of our Trinidadian assets. Profit after tax decreased by 11% to £4.0 million (2003 - £4.5 million).

Operational Highlights

UKCS - 'Trees'

During the first half of 2004, 'Trees' produced at an average rate of 7,211 boepd, or 40% of Group total production. All three 'Trees' fields delivered a strong production performance during the period, which was achieved despite a longer than expected shut-down of the Brae platform during May. In the Birch field, the second production well was successfully brought back on stream in March after having been shut-in for over three years. Reinstatement of production gave support to Venture's revised reservoir model and has led to a substantial increase in remaining recoverable reserves from the field. Planned well interventions for the second half of 2004 should increase production further and add additional reserves. The Larch field continued to produce in line with expectations and with high-pressure gas lift restored in July, production levels have been increased since the period end. The field remains an important contributor to the 'Trees' hub. Sycamore's production performance continued to be stable during the period. As a result of the extensive geological and geophysical work conducted on the Sycamore field, Venture has developed a revised geological model for the field. This model takes account of the disappointing results of the north Sycamore well drilled last year and has enabled the Company to optimise its future development plans. Venture plans to drill a water injection well, to support the central Sycamore production wells, the drilling of which is expected to commence in late-September.

The acquisition of an additional 17.78% interest in the Birch field and Block 16/12a was completed in January and has proved to be a valuable addition to both production and to reserves. In August, Venture announced the acquisition of the remaining interests in the 'Trees' fields that it does not already own together with interests in four central and northern North Sea blocks. The total consideration for the acquisition is $50 million in cash plus a contingent royalty payment on two undrilled exploration prospects, Ash and Cedar, located in Block 16/12a. This acquisition is expected to complete during the fourth quarter.

UKCS - GKA

During the first half of 2004, the Greater Kittiwake Area ('GKA') produced at an average rate of 1,236 boepd, or 7% of Group total production. Production from GKA was below expectations during the first half of 2004. The reason for the shortfall was due to the Mallard field being shut-in during the period. In July, Venture successfully re-entered the well, utilising a specialised well intervention vessel, and re-established production. Well performance has subsequently been better than expected.

Two well interventions on the Kittiwake platform have improved production, which was slightly ahead of expectations for the first half of 2004. Following the acquisition of the Kittiwake platform in late 2003, the transfer of operatorship from Shell to Venture was successfully completed in March 2004. Since acquisition, the Group's level of investment in upgrading the facility has been higher

Chairman's and Chief Executive's Statement continued

than anticipated. In reality, this is a cost associated with the acquisition of mature fields and their infrastructure. This investment will extend the life of the platform and ensures the continued availability of production facilities as Venture develops the GKA hub.

As a result of the relatively high fixed cost of operating the Kittiwake production platform and tanker loading system together with the loss of Mallard production volumes, which represent the majority of current GKA production, there has been a detrimental effect on the overall corporate financial performance during the first half of 2004. The restoration of production from Mallard is expected to have a material positive impact during the second half of 2004.

Venture's priority is to increase production volumes through the GKA hub as rapidly as possible. After drilling the central Sycamore water injection well, Venture is planning to complete and tie-in the suspended Gadwall discovery well and sidetrack the existing Mallard water injection well to provide effective pressure support to the production well. Gadwall is expected to come on stream during early 2005 with the impact of the Mallard water injection well seen later in 2005.

UKCS - 'A' Fields

During the first half of 2004, the 'A' Fields production hub produced at an average rate of 8,110 boepd, or 45% of Group total production. This increase over 2003 production levels reflects the impact of acquiring 100% of Audrey, Ann and Alison through two separate acquisitions, which were completed late in 2003. Notwithstanding this increase, production levels were somewhat below expectations. There are a number of factors which have contributed to this shortfall, all of which are facilities related and work is in hand to address these issues. A well intervention programme is underway in tandem with platform and facilities modifications required to bring Annabel gas across the Audrey facilities. This activity is planned to improve the integrity of the well stock and local infrastructure and to enable increased production volumes by the end of the year.

Commercially, Venture has made important progress during the first half of 2004. The renegotiation of the Audrey gas sales agreement with our gas purchaser, Centrica, has created the commercial environment that provides both the flexibility to optimise production from the field and the incentive to invest in field regeneration. In addition, Venture reached agreement with the LOGGS pipeline system owners to amend the transportation and processing arrangements for the Audrey field, consistent with the new gas sales arrangements entered into in March this year. Overall, these new arrangements result in processing and transportation tariffs for incremental volumes of gas production being between 30 to 45% lower than those applying under the old gas sales arrangements. These new arrangements provide further commercial incentive for Venture to rejuvenate the Audrey field and are backdated to take effect from 1 April 2004.

Venture has recently completed an extensive geophysical re-mapping of the Audrey field, which will be used to identify sidetrack and in-fill opportunities within the field.

Major progress was made during the first half of 2004 on the development of the Annabel field. In particular, the Annabel discovery well, 48/10a-12, was successfully completed as a production well. The well was hydraulically fractured prior to completion and tested at rates of approximately 100 MMcfpd, effectively doubling well productivity. The well will be tied back to the Audrey B platform, with gas then delivered into the LOGGS pipeline system. The field is on track to be brought on stream in early 2005 and is expected to be a major contributor to increased Group production levels.

Since the end of the period, Venture has agreed to acquire the remaining 11.11% interest on Block 48/10a that contains the Annabel Field and a unitised interest in the ConocoPhillips operated Saturn development, both major new gas fields currently under development. Venture will own 100% of Annabel, and has raised its interest in the Saturn unit from 19.6% to 22.0%.

The Saturn development consists of three gas accumulations, with Hyperion and Atlas being the first to be developed. Hyperion was discovered and appraised by ConocoPhillips between 1986 and 1990 and Atlas was discovered the following year. ConocoPhillips successfully drilled the 48/10b-13 appraisal well on the Atlas structure in early 2004, which accelerated the Saturn development. It is planned to drill three development wells; two will penetrate the Atlas structure, one of which will be a sidetrack of the appraisal well, and one will access the Hyperion structure. Current estimates of gross proved and probable reserves for Atlas and Hyperion combined are over 240 Bcf, 53 Bcf net to Venture.

Chairman's and Chief Executive's Statement continued

Since period end, the DTI has formally approved the Saturn development. First gas is anticipated during the fourth quarter of 2005 with an initial gross rate of 74 MMcfpd. This is expected to rise to a maximum of 170 MMcfpd within a year of start-up. Saturn is being developed utilising a six slot, normally unmanned platform operated by ConocoPhillips and tied directly into the LOGGS gathering and export pipeline system via a 43 km 14 inch pipeline.

Trinidad

During the first half of 2004, all of Venture's assets in Trinidad continued to perform in line with expectations and production averaged 1,412 boepd, or 8% of Group total. This was achieved in spite of the failure of one of the Brighton Marine gas compressors, which was only returned to service after the end of the period.

During the period there has been minimal incremental development activity pending the outcome of the ongoing fiscal reform in Trinidad, which is anticipated to improve the economic terms of oil and gas investment. As indicated earlier in the year, Venture continues to monitor the situation in Trinidad and still believes that such changes remain likely, although the timing of any such change remains uncertain. As a result of the delay in completion of the review of the oil and gas tax regime by the Trinidadian Government, the Board believes that it is appropriate to take a £3.0 million impairment against the carrying value of its interests in Point Ligoure and Tabaquite.

Financial Highlights

Turnover for the period was £35.2 million, a marginal increase over that achieved in the same period in 2003. Higher production volumes resulted in an increase of 22% to 2.8 MMboe in the volume of hydrocarbons sold during the period. The Group's hedging strategy, part of which was put in place 18 months ago, coupled with the strengthening of sterling against the US dollar, resulted in the Group not fully benefiting from current high oil prices. In addition, a greater proportion of Venture's production was gas, which realises a lower unit price than oil. The average effective realised price for our hydrocarbon sales was £12.75/boe, a decrease of £2.62/boe from that realised for the same period in 2003. On average during the first half of the year, over 75% of our oil production was hedged using a combination of put options and swaps.

Key Statistics	June 2004 £/boe	June 2003 £/boe
Effective realised price	**12.75**	15.37
Lifting costs	**5.48**	5.10
Depreciation, depletion and amortisation	**2.28**	3.43
Administrative expenses	**0.20**	0.52

Operating profit for the period was £9.7 million, £0.6 million less than in the same period last year. This decrease reflected an exceptional item, a provision of £3.0 million being made against the carrying value of our Trinidad assets. The Company has been active in lobbying for tax reforms that the Trinidad Government has indicated that it is considering introducing. The reforms have been delayed beyond our earlier expectations and, although such changes are likely, the Board believes that taking this impairment charge is prudent at this time. Without this provision, operating profit would have risen to £12.7 million, an increase of 24% compared with the first half of 2003. On a unit basis, lifting costs for the first six months of 2004 were £5.48/boe, an increase of £0.38/boe over the comparable cost for the first half of 2003. This increase reflected the relatively high fixed operating costs of our recently acquired platform operations with a low production base. This increase was exacerbated by the shut-in of the Mallard field for the whole of the reporting period. The effective depreciation, depletion and amortisation rate decreased by £1.15/boe or 34% to £2.28/boe reflecting the benefit of the Company's portfolio diversification and increasing reserves' life over the past 18 months.

Net administrative expenses for the first half of 2004 totalled £0.6 million or £0.20/boe, a reduction of 49% compared with that incurred during the previous year. After allowing for unrealised exchange gains on our US dollar denominated debt, the charge for the period of £1.1 million was 43% less than for the same period last year.

Interest payable for the period totalled £2.7 million, £1.5 million more than during the first half of 2003. This increase reflected the higher utilisation of the bank facility that had been expanded last year to fund acquisitions and ongoing field developments. This also includes a substantially higher FRS 12 charge relating to the accretion of discount on future decommissioning liabilities as a result of the acquisition of the Audrey and Kittiwake fields. Both fields have fixed production platforms with consequently higher future decommissioning costs than sub-sea facilities.

Chairman's and Chief Executive's Statement continued

As a result of the above, profit before taxation for the first half of 2004 decreased by £2.0 million to £7.2 million. The tax charge for the period was £3.1 million, £1.5 million less than for 2003, reflecting an effective tax rate for 2004 of 44%, compared with 50% for 2003. This decrease was due to the taxation impact of the impairment provision made against the carrying values of our Trinidad assets. It should be noted that this tax charge is all deferred as a result of Venture's tax positions in both UK and Trinidad.

Profit after taxation for the first six months of 2004 was £4.0 million, £0.5 million lower than that for the same period last year. Consequently, the fully diluted earnings per share decreased from 3.9p in 2003 to 3.5p in the first half of 2004.

After adjusting for the non-cash exceptional provision, increased profitability at the operating level was offset by a net cash outflow from changes in working capital, generating net cashflow from operating activities for the first half of 2004 of £13.0 million (2003 - £24.3 million). During the first half of 2004 capital expenditures including asset acquisitions totalled £10.7 million resulting in a cash inflow before the use of liquid resources and financing of £2.9 million (2003 - cash inflow £2.5 million). This inflow allowed a net repayment of debt totalling £4.1 million, to give a net debt balance at the end of the period of £27.1 million.

The Group had fixed tangible assets at the balance sheet date of £188.6 million (2003 - £143.3 million) reflecting asset acquisitions and continuing field developments during the last 12 months. Net current assets were £9.4 million (2003 - net current liabilities of £1.7 million) as a result of a decrease in trade creditors and accruals, the change from a crude oil overlift to underlift position and the balance due from an insurance claim. The undrawn balance from the Group's available $175 million credit facilities totalled $65.2 million at the end of August.

Summary of Proven and Probable Reserves

	Total Group			UKCS		Trindad	
	Oil Equivalent (MMboe)	**Oil (MMbbls)**	**Gas (Bcf)**	**Oil (MMbbls)**	**Gas (Bcf)**	**Oil (MMbbls)**	**Gas (Bcf)**
As at 1 January 2004	**93.7**	**52.8**	**245.2**	**46.5**	**245.2**	**6.3**	**–**
Acquisitions	1.5	1.1	2.4	1.1	2.4	–	–
Revisions	10.0	7.2	17.2	4.7	17.2	2.5	–
Production	(3.3)	(1.5)	(10.8)	(1.2)	(10.8)	(0.3)	–
As at 30 June 2004	101.9	59.6	254.0	51.1	254.0	8.5	–
Pro forma:							
Acquisitions	14.3	8.1	37.0	8.1	37.0	–	–
As at 30 June 2004	**116.2**	**67.7**	**291.0**	**59.2**	**291.0**	**8.5**	–

Once again, the increase in reserves during the first half of 2004 came from both upgrades of existing assets and from acquisitions. The principal upgrade resulted from increased estimates of reserves in Birch, following the successful re-start of production from the field. Acquisitions comprised the additional equity interest in 'Trees' that was completed during the period. The pro forma increase relates to the acquisition of the interest in 'Trees', as announced recently, that the Company did not previously own, together with the additional interests in the Annabel and Saturn fields, the acquisitions of which have not yet been completed.

Corporate Development

Despite the challenging acquisition market in the North Sea, since the beginning of 2004, Venture has made three acquisitions of additional interests in fields in which Venture is already a partner. These acquisitions, which are discussed previously, consolidate our ownership in a number of core assets.

In aggregate, these acquisitions will add a total of 15.8 MMboe in proved and probable reserves for a total consideration of £29.0 million, or $3/boe at current exchange rates. These additional interests will materially increase production from 2005 onwards.

In June, Oriel securities (Venture's broker) successfully completed the placing of 14 million shares on behalf of four of the Group's founding/early venture capital investors. As a result of the placing, which was oversubscribed, the trading liquidity in Venture's shares has increased and the shareholder base has been broadened with over 20 new institutional investors.

Chairman's and Chief Executive's Statement continued

Following the reduction in Lime Rock Partners' ownership of the Company, Jonathan Farber has resigned from the Board of Venture. On behalf of the Board, we would like to express our thanks and appreciation for Jonathan's contribution over the last four and a half years.

Current Trading and Outlook

Production levels across the Group remain in line with expectations and average production for the second half of the year is anticipated to be slightly higher than for the first half. Overall production for 2004 is expected to be in line with our targets. As a result of the ongoing development activity across all of Venture's assets we are expecting to see a significant increase in production during 2005 principally as a result of the Annabel, Gadwall and central Sycamore water injection projects, all of which are on track to come on stream in early 2005.

The recently announced acquisition of the remaining interest in the 'Trees' fields will also make a major contribution to production, revenues and cash flow post completion, which is expected to take place in the fourth quarter of 2004.

As a result of the timing of development activity and the acquisitions in 2004, the vast majority of Venture's 2004 capital expenditures will be incurred during the second half of the year. In the most recent Trees acquisition announcement, the Company stated that it was actively reviewing its longer term financing requirements and capital structure. We have recently expanded Venture's credit facilities from $175 to $255 million with our existing syndicate of banks. In addition and subject to market conditions, the Company intends to raise a modest level of additional equity finance in order to enhance its financial flexibility to pursue additional acquisitions and development opportunities.

A major constraint in the timing of development activity has been the availability of drilling equipment. In order to safeguard delivery of its 2005 central North Sea development programme, Venture has recently secured a 12 month extension to its contract with Transocean for the hire of the 704 semi-submersible drilling rig.

Due to the commodity price hedging entered into during late 2003 and early 2004, Venture has effectively fixed the net price received for a proportion of its oil and gas production up to the end of 2006, at prices well below current spot price levels. As a result, we will not benefit fully from the historically extremely high current commodity price levels.

Venture's hedging strategy remains focused on providing commodity price 'insurance' to underpin the Group's ability to invest throughout the commodity price cycle. Consequently, while the Board maintains a careful review of the developing risk structure of the business, it is likely that Venture will continue to hedge a proportion of its oil and gas production.

Venture also announced today that Mike Wagstaff will succeed Bruce Dingwall as Chief Executive of the Company effective from 9th September. Simultaneously, Mr. Dingwall will also step down from the Board.

Bruce has been the founder and driver of Venture from its creation to what is arguably the most successful start up in the North Sea in the last decade. He is highly respected in the industry, as evidenced by his presidency of UKOOA and his recently awarded CBE. The Board would like to thank him for his inspiration and leadership. Mike has been an integral part of building Venture and remains committed to its core strategy - the acquisition and exploitation of 'stranded reserves' in mature basins. Mike will be an excellent Chief Executive and the Board is confident that both he and the outstanding team we have created at Venture will continue to flourish.

Summary

The first half of 2004 represented another period of substantial growth for Venture delivering considerably higher production than the corresponding period in 2003. We are already seeing the impact of the increase in scale and diversification of Venture's operations with a corresponding reduction in risk profile. 2004 is a transition year and our acquisition and development activity will further increase the scale of our business, although its impact will not be seen until 2005.

John Morgan
Chairman

Bruce Dingwall
Chief Executive

Independent Review Report to Venture Production plc

For the six month period ended 30 June 2004

Introduction

We have been instructed by the Company to review the financial information, which comprises the Group profit and loss account, statement of Group total recognised gains and losses, Group balance sheet, Group cashflow statement, comparative figures and associated notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

PricewaterhouseCoopers LLP
Chartered Accountants

Aberdeen
9th September 2004

Notes:

(a) *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 any changes that may have occurred to the interim report since it was initially presented on the website.*

(b) *Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.*

Group Profit and Loss Account

For the six months ended 30 June 2004

	Note	Unaudited 6 months ended 30 June 2004 £'000	Unaudited 6 months ended 30 June 2003 £'000	Audited Year ended 31 December 2003 £'000
Turnover	2	**35,190**	34,932	71,030
Cost of sales before exceptional item		**(24,974)**	(23,334)	(45,723)
Exceptional item	3	**(3,037)**	–	–
Cost of sales		**(28,011)**	(23,334)	(45,723)
Gross profit	4	**7,179**	11,598	25,307
Administrative expenses		**(647)**	(1,261)	334
Other operating income/(expenses)	5	**3,153**	(56)	44
Operating profit		**9,685**	10,281	25,685
Interest receivable and similar income		**186**	45	182
Interest payable and similar charges		**(2,713)**	(1,166)	(2,420)
Profit on ordinary activities before taxation		**7,158**	9,160	23,447
Tax on profit on ordinary activities	6	**(3,114)**	(4,634)	(9,750)
Profit on ordinary activities after taxation		**4,044**	4,526	13,697
Earnings per Ordinary Share				
Basic Earnings per Share	7	**3.8p**	4.2p	12.7p
Diluted Earnings per Share	7	**3.5p**	3.9p	11.9p

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

Statement of total group recognised gains and losses

Profit on ordinary activities after taxation	**4,044**	4,526	13,697
Total gains recognised since last annual report	**4,044**	4,526	13,697

Group Balance Sheet

As at 30 June 2004

	Unaudited 30 June 2004 £'000	Unaudited 30 June 2003 £'000	Audited 31 December 2003 £'000
Fixed assets			
Tangible assets	**188,553**	143,327	178,609
Current assets			
Stocks	**3,811**	1,098	899
Debtors	**15,912**	12,449	18,025
Cash in hand and at bank	**4,199**	4,929	3,939
	23,922	18,476	22,863
Creditors - amounts falling due within one year	**(14,483)**	(20,170)	(19,107)
Net current assets/(liabilities)	**9,439**	(1,694)	3,756
Total assets less current liabilities	**197,992**	141,633	182,365
Creditors - amounts falling due after more than one year	**(38,650)**	(29,762)	(42,737)
Provisions for liabilities and charges	**(57,088)**	(24,505)	(42,869)
Net Assets	**102,254**	87,366	96,259
Capital and reserves			
Called up share capital	**433**	431	431
Share premium	**78,770**	77,302	77,428
Profit and loss account	**23,051**	9,633	18,900
Total shareholders' funds	**102,254**	87,366	96,759

Group Cashflow Statement

For the six months ended 30 June 2004

	Unaudited 6 months ended 30 June 2004 £'000	Unaudited 6 months ended 30 June 2003 £'000	Audited Year ended 31 December 2003 £'000
Operating profit	**9,685**	10,281	25,685
Depreciation charge	**7,448**	8,355	16,254
Exceptional item	**3,037**	–	–
Increase in stock	**(2,912)**	(322)	(123)
Increase in debtors	**409**	(836)	(3,648)
(Decrease)/increase in creditors	**(4,624)**	6,801	5,839
Net cashflow from operating activities	**13,043**	24,279	44,007
Returns on investment and servicing of finance	**(1,133)**	(590)	(1,140)
Taxation	**1,704**	5	201
Capital expenditure and financial investment	**(10,718)**	(21,166)	(54,281)
Net cash inflow/(outflow) before use of liquid resources and financing	**2,896**	2,528	(11,213)
Issue of new shares	**1,063**	–	–
(Decrease)/increase in loan facility	**(4,087)**	(496)	12,034
Exercise of share options held by ESOP	**348**	121	343
Receipts of expenses of prior share issue	**40**	–	–
Increase in cash	**260**	2,153	1,164
Cash flow from decrease/(increase) in debt	**4,087**	496	(12,034)
Net debt at 1 January	**(31,420)**	(20,550)	(20,550)
Net debt at end of period	**(27,073)**	(17,901)	(31,420)
Analysis of net debt			
Cash in hand and at bank	**4,199**	4,929	3,939
Debt due after 1 year	**(31,272)**	(22,830)	(35,359)
Total	**(27,073)**	(17,901)	(31,420)

Notes to the Interim Accounts

1 Basis of preparation of interim financial information

The results for the six months to 30 June 2004 and the comparative results for the six months to 30 June 2003 are unaudited. The Interim Accounts have been prepared on a basis consistent with the accounting policies set out in the statutory accounts for the year ended 31 December 2003. The comparative figures for the year ended 31 December 2003 do not constitute statutory accounts for the purpose of Section 240 of the Companies Act 1985 and have been extracted from the Company's published accounts, a copy of which has been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 1985.

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 period stated net of associated sales tax and is analysed as follows:

Turnover	6 months ended 30 June 2004 £'000	6 months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
United Kingdom	**32,207**	31,627	63,937
Trinidad	**2,983**	3,305	7,093
	35,190	34,932	71,030

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

(2) Group operating profit is analysed as follows:

Operating profit/(loss)	6 months ended 30 June 2004 £'000	6 months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
United Kingdom	**10,051**	10,669	25,780
Trinidad	**(366)**	(388)	(95)
	9,685	10,281	25,685

(3) Group net assets are analysed as follows:

Net assets/(liabilities)	6 months ended 30 June 2004 £'000	6 months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
United Kingdom	**108,292**	93,768	103,723
Trinidad	**(5,970)**	(6,131)	(6,789)
	102,322	87,637	96,934

3 Exceptional item

The exceptional item relates to an impairment write down of Trinidad assets.

Notes to the Interim Accounts continued

4 Group gross profit

Group gross profit is stated after charging:

	6 months ended 30 June 2004 £'000	6 months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Crude oil (under)/overlift	**(3,403)**	2,191	649
Operating expenses	**16,004**	8,172	18,161
Well workover expenses	**532**	3,109	4,720
Depreciation, depletion and amortisation	**7,448**	8,355	16,254

5 Other operating income

Included in other operating income is a provision of £3.1 million for an insurance claim relating to the Mallard shutdown.

6 Taxation

In respect of the group's UK operations, tax has been calculated based on a rate of 30% plus the supplementary tax of 10% (2003: 30% plus 10% supplementary). The Trinidad tax rate remains at 55% (2003: 55%). The effective tax rate for 2004 was 44% compared with 50% in 2003, reflecting the taxation impact of the impairment provision made against the carrying values of our Trinidad assets. It should be noted that this tax charge is all deferred as a result of Venture's tax positions in both UK and Trinidad.

7 Earnings per ordinary 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 period. For fully diluted earnings per share the weighted average number of ordinary shares in issue during the period 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:

		6 months ended 30 June 2004 £'000	6 months ended 30 June 2003 £'000	Year ended 31 December 2003 £'000
Profit for the period		**4,044**	4,526	13,697
Weighted average number of ordinary shares for the period	- Basic	**107,774**	107,768	107,768
	- Fully Diluted	**115,433**	116,025	114,792
Earnings per share	- Basic	**3.8p**	4.2p	12.7p
	- Fully Diluted	**3.5p**	3.9p	11.9p

8 Implementation of International Financial Reporting Standards (IFRS)

In accordance with legislation the Company will be adopting International Accounting Standards as from 1 January 2005. Venture is currently in the progress of assessing the impact these will have on its financial statements and is working closely with its auditors and participating in training courses to enable these changes to be implemented within reporting deadlines.

Glossary

Bcf	billions of cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
km	kilometres
Mboe	thousands of barrels of oil equivalent per day
MMcfpd	millions of cubic feet per day
MMbo	millions of barrels of oil
MMboe	millions of barrels of oil equivalent

Note: 6 Bcf = 1 MMboe

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