Venture Production plc

Preliminary Results
for the year ended
31 December 2004

For further information please contact:

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11th April, 2004

Venture Production plc
("Venture", "the Company" or "the Group")
Preliminary Results for the Year Ended 31 December 2004

Activity Highlights

- Average annual production increased 26% to 16,832 barrels of oil equivalent per day ("boepd") (2003: 13,310 boepd)
- 33% increase in year end proven and probable reserves to 124.9 millions of barrels of oil equivalent ("MMboe") - 58% of reserve additions from net upgrades
- Three new field developments approved Annabel (operator), Gadwall (operator) and Saturn
- Significant development activity across all three production hubs - impact to be seen in 2005
- Three acquisitions completed in 2004 - 15.8 MMboe of proven and probable reserves added
- Strategic review of Trinidad completed - in advanced negotiations to withdraw from Trinidadian operations.

Financial Highlights

- Turnover up 15% to £81.5 million (2003: £71.0 million)
- Operating Profit pre-exceptional item down 10% to £23.1 million (2003 - £25.7 million)
- Operating profit down 81% to £5.0million (2003: £25.7 million)
  - after £18.1 non-cash impairment of Trinidadian assets
- Loss on ordinary activities after tax of £5.5 million (2003: £13.7 million profit)
- Operating cashflow up 2% to £44.9 million (2003: £44.0 million)
- Capital expenditure, including acquisitions, totalled £99.4 million (2003: £54.3 million)

2005 Outlook

- 2005 development programme on track to deliver step change in production during 2005
- Annabel came on stream on 3rd April – current net production 80 million cubic feet per day ("MMcfpd ") (13,300 boepd)
- Current net production approximately 35,000 boepd – up over 100% on 2004 average rate
- Guidance of 34,000 boepd average production for 2005, anticipated to exit 2005 at over 45,000 boepd

Commenting on the results, Mike Wagstaff, Chief Executive of Venture said:

"2004 represented another year of sustained growth for Venture, leading to record levels of production and reserves. However, as anticipated, it was also a year of transition, as the benefits of our investment in Venture's North Sea business last year will become evident in 2005. These will result in higher production levels in 2005 and beyond.

2005 has got off to an excellent start with increased production from Birch and the impact of bringing Annabel on stream already this year. The fast-track development of the Annabel gas field represents a major milestone for Venture and Annabel is the first of a number of important development projects, which are expected to come on stream this year, and should result in a step change in production, cashflow and earnings in 2005. With the strategic decision to withdraw from operations in Trinidad, Venture will, in future, be focused on the UK sector of the North Sea.

This year's development programme is on track and with current production at 35,000 boepd, Venture is set to double production over 2004 levels, subject to project timing and operational issues. As our field developments come on stream, production is set to continue to rise throughout the year and we expect to exit 2005 producing over 45,000 boepd."

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Chairman’s and Chief Executive’s Statement

2004 represented a transition year for Venture as the Company built on acquisitions made in 2003. In addition, the Company made investments of nearly £100 million in its business during 2004, both development capital expenditures and acquisitions. As anticipated, the benefits of this capital expenditure in terms of increased production, while not realised in 2004, are now being seen and is anticipated to deliver a step change in production, cashflow and earnings in 2005. We are now approximately nine months into a two and a half year development programme across all of our North Sea production hubs, which is anticipated to drive production growth through 2007.

During 2004, Venture sharpened the strategic focus of its business as a North Sea development and production operator. In addition to expanding its development inventory across the North Sea, Venture put in place long term contracts to underpin its ability to deliver its 2004-6 development programme and strengthened its management and organisation to focus on development and production delivery. As a result of the growth of Venture’s North Sea business and the lack of investment in Trinidad recently, the Company’s operations in Trinidad have become a much less material part of our business. We have recently completed a strategic review of this business and have concluded that Trinidad is no longer core. Venture is currently in advanced negotiations on a transaction, which would result in the Company withdrawing from operations in that country. As previously indicated, the Board feel that it is appropriate to take a non-cash impairment charge. Based on the expected value of the Trinidadian assets implied by this transaction, a charge of £18.1 million has been made, which includes the £3.0 million impairment taken at the time of our interim results.

As a result of a combination of acquisitions and reserves upgrades across our portfolio, Venture’s proven and probable reserves increased by 33% to 124.9 millions of barrels of oil equivalent (‘MMboe’). This represents a reserves replacement ratio of over 600%, with 58% of reserve additions resulting from net upward revisions and the remainder coming from acquisitions.

Financial Results

While daily production for 2004 increased by 26%, to 16,832 barrels of oil equivalent per day (“boepd”), compared to last year (2003 – 13,310 boepd), the average realised sales price of £14.22/boe was 6% less than last year (2003 - £15.10/boe). This decrease resulted from a higher proportion of lower value natural gas production than previously, the continued strengthening of sterling against the US dollar and the impact of the Group’s hedging strategy, which was implemented to underpin our 2004/5 investment programme. Consequently, turnover for the period was only 15% higher at £81.5 million (2003 - £71.0 million). Group profitability was adversely affected by higher unit lifting costs resulting from the higher fixed operating costs of the Audrey and Kittiwake fields acquired in late 2003. During 2004, these fields had low initial production volumes as rejuvenation activities were commenced. Excluding the Trinidadian impairment, operating profit decreased by 10% to £23.1 million (2003 - £25.7 million). After taking into account the Trinidadian impairment, Venture recorded a loss after tax of £5.5 million (2003 - £13.7 million profit).

During 2004, Venture increased its financial flexibility to support its current investment programme through the expansion of its credit facilities from $175 to $255 million and by raising approximately £25 million in new equity through a placing and open offer. This was completed in October and, together with a placing of shares by certain existing shareholders in June, has broadened Venture's shareholder base and improved the trading liquidity in the Company's shares.

Hedging

Venture hedges its commodity price exposure for two reasons; to ensure access to capital to deliver continued growth in production and reserves, and to reduce the Company's exposure to commodity price downside risk. In late 2003 and early 2004, in keeping with its long term hedging strategy, Venture put in place a significant amount of oil and gas price hedging from 2004 until the end of 2006. This was done in order to make financial commitments to ensure the delivery of the Company's 2004/5 development programme. The Board remains convinced that the decision to implement this hedging was correct and, as a direct result, Venture will see the benefits of this in terms of increased production volumes from new development projects coming on stream this year.

During 2005 and 2006, the proportion of Venture's oil and gas production that is hedged at prices below current market levels, will fall rapidly from levels seen during 2004. This fall results from the reduction in the total volumes hedged, combined with an increase in anticipated production volumes over this period.

Hedging will remain an important part of Venture's financing strategy and the Board will continue to review the exact level of hedging implemented to manage prudently the ongoing investment programme and level of risk in the business.

Operational Highlights

The 26% increase in average production levels in 2004 reflected the impact of a full year's contribution from the 'A' Fields and Greater Kittiwake Area ("GKA") acquisitions completed in late 2003. This increase was achieved despite lengthy shut-in periods across all three UK production hubs and the fact that the full impact of 2004 acquisition and development investment will not start to be seen until 2005.

The resumption of production from Birch during early 2004 has resulted in a boost to production and reserves which, when combined with Venture's acquisition of the remaining interests in 'Trees', has generated further opportunities to develop this hub. Average annual production from 'Trees' in 2004 was slightly higher than 2003 despite the shutdown due to the gas leak in a riser below the Marathon operated Brae 'A' platform late in the year. Investigative work was completed, the problem identified and a solution implemented that enabled production from 'Trees' to recommence in early February 2005. While the results of the first central Sycamore water injection well completed in early 2005 were disappointing, Venture has recently completed a workover on the main Birch production well. The initial results of this workover have exceeded expectations and will offset the near term loss of anticipated production from Sycamore.

Production from GKA increased during 2004 due to a full year's contribution from Kittiwake, but in spite of Mallard being shut-in for the first half of the year. Production from Mallard was restored in July and since that time the field's production has exceeded expectations. During the year, development activity was focused on maintenance of the Kittiwake production facility to extend its anticipated life and development of the Gadwall field, which is on track to come on stream in April 2005. Longer term development activity for GKA includes drilling of water injection wells in both Mallard and Gadwall, appraisal of the Wagtail and Whinchat discoveries in 2005 and development of the Goosander field during 2006.

During 2004, Venture made progress in building its UK natural gas business and the main focus of activity was the Annabel development project. Completion of the fast-track development of Annabel through existing infrastructure in only 19 months from discovery to first gas sales represents a major development milestone for Venture. It is the first of a series of major development projects expected to come on stream during 2005. In addition, the ConocoPhillips operated Saturn field development was approved during 2004 and is on track to produce first gas during the fourth quarter of 2005. During 2004, Venture successfully completed a five well workover/intervention programme in the Audrey field, which has increased the production potential of the field and, when combined with the new commercial arrangements put in place in 2004, has provided the foundation for further rejuvenation activity in 2005 and beyond. In 2004, Venture initiated the 2005/6 development plan for its gas business, which includes in-fill production wells on both Audrey and Ann, a second production well on Annabel and an appraisal well on Amanda, together with step-out wells on the Agatha and Adele prospects during 2006.

Production in Trinidad fell slightly due to natural decline from all five producing fields, the failure of the main gas compressor in the Brighton Marine field and the delay of investment pending the outcome of ongoing Government review of the Trinidadian fiscal regime. This anticipated fiscal reform did not materialise during 2004, which, together with the reduced materiality of Venture's Trinidadian operations, prompted the Company to conduct the recently completed strategic review of its operations in that country.

Strategy

Since its founding in 1997, Venture's strategy has remained focused on the acquisition and exploitation of proven reserves and the development of discovered but undeveloped reserves, collectively known as 'stranded' reserves. Our business model is based on adding value to these 'stranded' reserves through the application of modern technology and operating practices together with increased focus on asset management. In order to control its destiny, the Company generally 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 initial 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. With the impending withdrawal from operations in Trinidad, Venture will be solely focused on the UK sector of the North Sea (the 'UKCS').

In common with most producing oil and gas regions in the world, the North Sea remains a competitive arena. However, Venture believes that its successful five year track record in the UKCS, together with its increasing size and scale as an operator in the North Sea, give it a favourable competitive position. Venture continues to see attractive opportunities in the North Sea and remains confident about its ability to continue to grow for the foreseeable future.

Corporate Development

In 2004, Venture's business development activities were focused on continuing to expand its three production hubs, building its natural gas business centred around the 'A' fields hub and putting in place the field development inventory to continue to deliver production growth through 2007 and beyond. During the year, Venture completed three acquisitions giving it outright control of 'Trees' and increased our position in both Annabel and Saturn, important near-term gas developments. These acquisitions added 15.8 MMboe of proven and probable reserves at an acquisition cost of around $3/boe.

During the year, Venture recognised the tightening market for oil field equipment and services in the North Sea and, in order to ensure the Company's ability to deliver its 2004-6 development programme, entered into two long term drilling contracts. These contracts provide access to a semi-submersible and to a jack-up drilling rig through the second quarter of 2006 at day rates that are below current market rates. In addition, Venture has recently put in place long-term agreements to ensure access to long lead time equipment and critical services for its 2005/6 development programme.

Board and Management

In September, it was announced that Bruce Dingwall had elected to stand down as Chief Executive and leave the Board. He has been succeeded by Mike Wagstaff, formerly Finance Director. Bruce was a founder and driver of Venture from inception in 1997 to becoming one of the UK's leading independent oil and gas companies. He also led the Company through its successful flotation on the London Stock Exchange in March 2002. On behalf of the Board we would like thank him for his inspiration and leadership and wish him well for the future.

We are delighted that Marie-Louise Clayton was appointed Finance Director in February 2005, bringing extensive experience of financial management within far larger businesses than Venture, which will benefit the Company during the current period of rapid growth. In addition, during 2004 Venture has strengthened its management and organisation to focus on development and production delivery. These changes are already bearing fruit in terms of Venture's ability to manage a greater number of larger and more complex projects than previously.

Since the beginning of 2004 there have been other changes to Venture's Board. In January, Mark Nicholls joined as Senior Independent Director and Deputy Chairman. His early career was spent with S.G. Warburg & Co Ltd. where he became Head of Corporate Finance and a main board director of S.G. Warburg Group Plc. More recently, his knowledge of the financial market place has been utilised at Royal Bank of Scotland Group, where he was Deputy Chairman of RBS Equity Finance. Mark brings a wealth of experience and is Chairman of the Audit Committee and a member of the Remuneration Committee.

We are delighted to announce today that Alan Jones is joining Venture's Board as a non-executive Director and will sit on both the Audit and Remuneration Committees. Alan has huge experience of project development and production operations, from a career spanning more than

30 years with BP in all parts of the world. More recently, Alan has worked with UKOOA on its restructuring and has extensive experience of the regulatory and commercial environment in the UKCS.

In July, Jonathan Farber, who had sat on Venture's Board since 1999 representing Lime Rock Partners, a US based private equity investment firm, resigned from the Board. This followed the placing of part of Lime Rock's stake and its ownership falling below 5%.

Employees and Contractors

Once again, Venture's employees and contractors have made a huge contribution to the Company's growth and success in sometimes challenging circumstances. 2004 saw a change in the scale and complexity of our operations, yet this was managed while maintaining the highest levels of operational, health, safety and environmental performance. The Board would like to take this opportunity to thank all Venture's staff and contractors for their important contribution during 2004.

Outlook

2005 has started well and our development programme remains on track, despite difficult operating conditions across all our production hubs caused by severe winter weather conditions in the North Sea. In early February, we re-instated production from 'Trees' and brought Mallard back on stream after completion of the Gadwall sub-sea construction work. The disappointment caused by the failure of the first central Sycamore water injection well in early 2005 has been offset by the better than expected production resulting from the recently completed Birch workover. Bringing Annabel on stream has provided a boost to production levels and completion of the Annabel tie-in work will enable better sustained production from Audrey, Ann and Alison. As a result, total net production is currently running at approximately 35,000 boepd.

These production levels are expected to rise further during this year as Venture brings on stream its 2005 development projects, the first of which is expected to be Gadwall in April. Consequently, subject to project timing and operational issues, some of which are outside our control, we remain on track to deliver annual average production of approximately 34,000 boepd in 2005, which represents a more than doubling of the 2004 levels. We continue to anticipate exiting 2005 at an average production rate during the fourth quarter of over 45,000 boepd.

In addition, we expect to benefit from falling unit production costs as a result of higher volumes of low marginal cost production over Venture's fixed cost infrastructure. As discussed earlier, as a result of our commodity price hedging, we will not benefit fully from the high current commodity price levels. During 2005, as this hedging unwinds, Venture's exposure to current and foreseen high commodity prices will increase.

Overall, as a result of the increase in production levels combined with favourable commodity prices, the Board of Venture remains confident of the outlook for Venture's business.

11th April, 2005

John Morgan
Chairman

Mike Wagstaff
Chief Executive

Review of Operations

'Trees' (Block 16/12a)

'Trees', located in the central North Sea, contains three producing oil fields, Birch, Larch and Sycamore. It continued to be Venture's principal contributor with an average production rate of 7,473 boepd (net) for 2004 (2003 – 7,400 boepd), representing 44% of total Group production. This slight increase was achieved despite the impact of a deferral of production in the fourth quarter of the year. The 'Trees' fields were shut-in on 27th November following a gas leak in a 4" service line beneath the Marathon operated Brae 'A' platform. Investigation work was completed, the problem identified and production restarted on 4th February 2005.

The rejuvenation of the Birch Field during 2004 made an increase to both production and reserves. This was achieved by the re-start of production from the Z3 well, which had been shut-in since December 2000. Gravity re-segregation of oil and water within the reservoir has led to oil production whereas the well had been producing only water at the time of shut-in. Following a well intervention in early 2005 the well is now producing approximately 11,500 boepd.

Development of the Sycamore field continued during 2004 with the drilling of the first of two central field water injection wells, 16/21a-25 (SW1). The well penetrated the reservoir section but proved not to be in communication with the production well at that location. As a result, the wellbore has been suspended for future re-use. Venture plans to drill the second water injection well (SW2) in the third quarter of 2005, which will support production well SP2. This well is independent of the SW1 well. The third phase of the Sycamore project, development of the southern part of the Sycamore field, has been accelerated into 2005 after Venture entered into a commercial agreement with Canadian Natural Resources to drill a production well from the Tiffany platform. This represents a significant cost and time saving over the original plan to drill the well as a sub-sea tie-back to the existing 'Trees' infrastructure.

During the year Larch continued to produce in-line with expectations and during the second half of the year Venture was able to increase well productivity though the restoration of high pressure gas-lift to the production well.

During October 2004, following two separate transactions, Venture completed the acquisition of the remaining equity in Block 16/12a.

In addition to the three producing fields, the 'Trees' block contains several additional discoveries and untested exploration prospects of which the most significant are Ash and Cedar. Acquisition of outright control of 'Trees' has enabled Venture to pursue the realisation of value from these opportunities, although it is likely that Venture will bring in partners to participate in the drilling of any exploration wells.

Greater Kittiwake Area ("GKA")

GKA is located in the central North Sea and contains two producing oil fields, Kittiwake and Mallard. Production from GKA fields averaged 1,946 boepd (net) for 2004 (2003 – 1,100 boepd), representing 12% of total Group production.

During 2004, Kittiwake produced in line with expectations and reservoir activity was focused on two platform based well interventions, which boosted total production. Mallard was shut-in for the first half of the year as a result of a gas leak on the Kittiwake platform at the end of 2003. Mallard performance exceeded expectations after the well was brought back on stream in July following a vessel based well intervention. Reservoir pressure data recovered during this operation confirmed that the existing water injection well is not providing pressure support to the Mallard production well. As a consequence, a new water injection well will be drilled in the second quarter of this year.

Current development activity in the GKA area is concentrated on the Gadwall field. The initial development is a single production well tied back to the Kittiwake platform through the Mallard sub-sea facilities. The sub-sea construction work has been successfully completed and the Sedco 704 drilling rig is expected to complete the production well and bring the field on stream in April 2005. A water injection well, to provide pressure support, is planned to be drilled during the third quarter of the year.

Development of Goosander and the adjacent Whinchat and Wagtail fields is in the final stages of planning with a Field Development Plan due for submission during the first half of 2005. The development will be phased, with first production from Goosander scheduled for mid - 2006, and appraisal wells on the Whinchat and Wagtail discoveries scheduled for late 2005 and early 2006. If successful, it is planned to bring these fields on stream in 2007. The fields will be tied back to the Kittiwake platform via new sub-sea production and gas lift flowlines.

Venture is currently reviewing longer-term export solutions once the storage and shuttle tanker reaches the end of its effective life in early 2007.

‘A’ Fields

The ‘A’ Fields hub is located in the southern North Sea and is centred around the Venture operated Audrey field. It now contains four producing gas fields, Audrey, Ann, Alison and Annabel, together with a number of fields under development and discoveries. Gas production from the ‘A’ Fields hub increased by 82% to 6,195 boepd (2003 – 3,400 boepd), or 37% of the Group total.

Over the last two years, the scale of Venture’s gas business has grown dramatically as a result of several acquisitions, drilling, development and commercial activity and it now accounts for nearly half of the Company’s total business. This has occurred during a period of structural changes in the UK natural gas market with improving supply-demand dynamics. Venture’s development activities have been focused on developing its gas resources to take advantage of the anticipated tight market conditions during the period 2005-7.

Venture’s sub-surface activity during 2004 has delivered a portfolio of attractive development opportunities and a two-year investment programme within the ‘A’ Fields area. To ensure delivery of this programme in a tightening rig market, contracts were placed to secure two rigs for a total of 12 months drilling in 2005 on a variety of in-fill, development, appraisal and low risk exploration wells.

Audrey

In late 2003, Venture increased its ownership of Audrey to 100%. A full year's contribution from the field increased its production to an average of 4,045 boepd during 2004. Outright control allowed the removal of the gas imbalance arrangements, which had been in place since the acquisition of Venture's interest in the field in 2001 and had limited production from the Company's lower equity position. Even more significantly, this also allowed Venture to enter 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 represented a genuine win-win solution for both Venture and the gas buyer. The new commercial structure allows for investment in the Audrey field to produce additional volumes at market related pricing while protecting the value of the buyer's original gas purchase arrangements.

Production rates were constrained somewhat in 2004 as a result of a five well rejuvenation intervention/workover programme, which was completed in the second half of 2004. Production was also impacted with some extended downtime to allow the Annabel project tie-ins to be completed and the cleaning and inspection of the Audrey to LOGGS export gas pipeline. It also established the long-term integrity of the Audrey to LOGGS gas pipeline, thereby confirming the potential for additional tie-back projects over the Audrey facilities.

Venture completed a major sub-surface study of the Audrey field in 2004, which highlighted a number of potential field rejuvenation opportunities. The first of these will be drilled as part of the firm 2005 well programme and consists of sidetracking the most northerly producer in the field to a more productive area. The results of this well will then be used to help validate other highlighted opportunities.

Ann/Alison

During 2004, production from the Ann and Alison fields (Venture 100%) produced throughout the year at an average rate of 2,150 boepd. A subsurface remapping exercise was completed on the Ann field in October 2004 highlighting an area in the south east of the field, which is believed not to be effectively drained from the existing two wells. An Ann infill production well is planned for 2005 to target this area. No further development activity is currently planned on Alison.

Annabel

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 originally successfully tested at flow rates in excess of 50 MMcfpd and was suspended for future completion as a production well. During 2004 Venture successfully carried out the first hydraulic fracture of a sub-sea well in the UKCS, generating a three-fold improvement in the productivity of the Lower Leman reservoir section. The well was tested at rates of over 100 MMcfpd with anticipated stable production rates of up to 80 MMcfpd.

In parallel with the well work, Venture obtained Field Development Plan approval for Annabel, now formally known as Saturn (Annabel), and has developed the field as a sub-sea tie-back to Audrey located 13km to the south. The Field was brought on stream on 3rd April 2005 and initial production is in line with expectations. A second development well is planned to be drilled in 2005 ahead of the 2005/2006 winter period.

During 2004 Venture acquired the remaining interest in the Annabel field from ENI, raising Venture's interest to 100%.

Saturn

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, now formally known as Saturn (Hyperion, Atlas and Rhea). During the first quarter of 2004, the 48/10b partners drilled a successful appraisal well on the eastern part of the Atlas field, which has been suspended pending future completion as a production well. Subsequently Venture concluded unitisation negotiations with the 48/10b partners on the development of the unit resulting in a 19.56% equity share for Venture. Following the conclusion of these negotiations the Saturn Field Development Plan was approved and the development project commenced with gas anticipated in the fourth quarter of 2005. Saturn will be developed with an unmanned platform tied back via a new pipeline to LOGGS.

During 2004 Venture acquired ENI's interest in the Saturn field, raising Venture's total interest to 22%.

Amanda/Agatha

Following the discovery of the Amanda field in Block 49/11a (Venture 100%) in late 2003, well 49/ 11a - 9 encountered greater than expected volumes of gas in place, but tested at sub-economic rates, Venture completed its technical studies in 2004. The conclusion from these studies was the recommendation to sidetrack the Amanda discovery well and this is planned during the 2005 rig programme. The sidetrack will be drilled with a long horizontal section through the structure to maximise the chance of obtaining commercial flowrates. Should this prove successful Venture then plans to drill the Agatha well and jointly develop the two accumulations as a tie-back to the Alison manifold.

48/15b

Venture applied for and obtained the 48/15b licence in the 22nd Round in late 2004. This licence is strategically placed between Venture's Audrey and Annabel fields and has a number of undrilled prospects that will be evaluated in 2005.

Mimas (Formerly Argo)

The Mimas discovery is located in Block 48/9a (Venture 15%) and is operated by ConocoPhillips. The Operator is currently concluding its sub-surface technical work prior to submitting the Field Development Plan for approval. It is anticipated this will occur in early 2005 with first production in 2006, with Mimas tied back to the Saturn platform.

Other UK

Chestnut

Venture took over operatorship of the undeveloped Chestnut oil field, located in Block 22/22a, in early 2004 and has a 69.85% interest in the field. A base case development strategy for developing the Chestnut field, utilising a producer/injector pair, is being formulated. The most economically robust option is for a stand-alone development using an innovative floating production and storage system. A recommendation using this solution was made to partners in January 2005 and regulatory discussions have been very encouraging. Work to bring this development solution to project sanction and regulatory approval is planned for 2005 with a target of first oil production in 2007.

Pilot

The Pilot field located in Block 21/27 (Venture 47.5% and operator), is a shallow heavy oil field located 41km south of the Kittiwake platform. To date four exploration and appraisal wells have been drilled on the field. Development economics for this field have been substantially improved by recent trends in energy prices. In response to this, further technical work was undertaken in 2004 to move this field towards possible development. Venture is planning to drill at least one low cost appraisal well on the field in late 2005 or early 2006 to prove its commerciality.

Trinidad

During 2004 Venture's assets in Trinidad continued to perform in line with expectations and production averaged 1,218 boepd, which represents 7% of the Group total. This production rate was achieved despite the failure of a gas compressor in the Brighton Marine field and minimal field investment pending fiscal reform. Contrary to Venture's expectations, the Government of Trinidad and Tobago did not change the fiscal framework for oil and gas taxation during 2004, although we believe this remains a possibility in the future. This prompted Venture to conduct a strategic review of its Trinidadian operations in view of their reduced materiality in the context of a much larger Venture as a whole. The conclusion of this review was that Trinidadian assets were no longer core, and as a result we have decided to withdraw from operations in Trinidad.

Reserves

	Total Group			UK		Trinidad	
	Total	**Oil**	**Gas**	**Oil**	**Gas**	**Oil**	**Gas**
	Mboe	**Mbbls**	**MMcf**	**Mbbls**	**MMcf**	**Mbbls**	**MMcf**
Total							
Proven & Probable							
At 1 January 2004	**93,724**	**52,816**	**245,444**	**46,516**	**245,234**	**6,300**	**210**
Movements:							
Revised Estimates	21,594	13,565	48,173	11,144	48,173	2,421	-
Acquisitions	15,770	9,204	39,399	9,204	39,399	-	-
Production	(6,160)	(3,121)	(18,236)	(2,680)	(18,205)	(441)	(31)
	31,204	**19,648**	**69,336**	**17,668**	**69,367**	**1,980**	**(31)**
At 31 December 2004	**124,928**	**72,464**	**314,780**	**64,184**	**314,601**	**8,280**	**179**

FINANCIAL REVIEW

Key Results	2004	2003	Increase/(decrease)
Production (boepd)	16,832	13,310	26%
Turnover (£ million)	81.5	71.0	15%
Gross profit (£ million)	1.9	25.3	(92)%
Operating profit prior to exceptional item (£ million)	23.1	25.7	(10%)
Operating profit (£ million)	5.0	25.7	(81%)
(Loss)/profit after tax (£ million)	(5.5)	13.7	(140)%
Fully diluted earnings per share (p)	(5.0)	11.9	(142)%
Operating cashflow (£ million)	44.9	44.0	2%

Key Statistics - £ per boe	2004	2003	Increase/(decrease)
Average realised price	14.22	15.10	(6)%
Lifting costs	6.59	5.85	13%
Depreciation, depletion and amortisation	2.33	3.35	(30)%
Administration expenses (excluding currency exchange variances)	0.45	0.65	(31)%

(Calculated on the basis of rounded numbers)

As anticipated, 2004 was a year of transition from a financial perspective with the Company not seeing the benefits of its extensive capital investment programme in terms of increased production levels until 2005. In addition, Group profitability was adversely affected by the relatively high fixed operating cost assets in the Audrey and Kittiwake fields. These costs were not offset by the benefits of increased production volumes during the year. Unit lifting costs are anticipated to fall as new field development projects start to contribute to a significant increase in production volumes at low marginal unit lifting costs from early 2005 onwards.

Turnover increased by 15% to £81.5 million for the year (2003: £71.0 million), attributable to a 26% increase in production to 16,832 boepd partially offset by a 6% reduction in the averaged realised price. Production reflects the full year impact of the acquisition of the remaining equities in the ‘A’ Fields and GKA and a disappointing fourth quarter where the production from the ‘Trees’fields was shut-in from 27th November following a gas leak beneath the Marathon operated Brae ‘Alpha’ platform. The average realised price has decreased slightly from 2003 reflecting the increased proportion of the business (around 50%) derived from lower value natural gas production. The upside to oil prices has been limited by the strength of sterling against the dollar and the effect of the hedging strategy implemented over the last two years.

Gross Profit of £1.9 million (2003: £25.3 million), was after a non-cash impairment of the Company’s Trinidadian assets of £18.1 million following the strategic decision to withdraw from operations in that country. The underlying Gross Profit, excluding this impairment, would have been £20.0 million (2003: £25.3 million), a £5.3 million reduction from last year. Unit lifting costs for the year increased by 13% to £6.59/ boe (2003: £5.85/ boe) as a result of the relatively high fixed operating costs of the platform operations acquired in late 2003. The initially low acquired production base will be increased as future satellite developments are progressed. This increase was exacerbated by the shut-in of the Mallard field for the whole of the first half of the year. The effective depreciation, depletion and amortisation rate decreased by 30% reflecting the benefit of the company's portfolio diversification and increasing reserves life.

Administration expenses for the year were £0.2 million (2003: £0.3 million credit). After adjusting for exchange gains on the Company's US Dollar denominated debt, administration expenses totalled £2.8 million (2003: £3.1 million), a decrease of 10%. On a unit basis, administration expenses of £0.45/ boe represented a 31% reduction compared with 2003. The reduction in administration costs reflects a number of organisational changes that occurred during the period and production increases. Other Operating Income includes a receipt of £3.2 million from an insurance claim concerning the Mallard field shut-in in the first half of the year.

Operating Profit was £5.0 million (2003: £25.7 million), which represented a decrease of £20.7 million or 81%. Adjusting for the Trinidad impairment provision of £18.1 million the underlying operating profit would have been £23.1 million representing a reduction of 10%.

Net interest payable and similar charges increased to £5.3 million (2003: £2.2 million) as a result of greater draw down of the Company's credit facilities to fund its investment and acquisitions and the non-cash finance charges associated with unwinding the decommissioning provision associated with the Company's assets. This provision has increased as a result of acquisitions and revised abandonment cost estimates.

The tax charge for the year decreased to £ 5.2 million (2003: £ 9.8 million). This tax charge comprises a current tax charge of £ 0.1 million (2003: £2.6 million credit) and a deferred tax provision of £5.1 million (2003: £12.4 million). The deferred tax provision of £5.1 million relates to fixed asset allowance timing differences in the UK, group adjustments associated with the Trinidad strategic review amounting to a £0.8 million net charge and a deferred tax credit of £2.4 million that relates to an acquisition adjustment for GKA.

Loss after tax was £5.5 million (2003: £13.7 million profit). After adjusting for the Trinidad impairment the profit after tax would have been £15.7 million, a 15% increase on 2003.

Net cashflow from operating activities increased by 2% to £44.9 million (2003: £44.0 million). Internally generated funds financed approximately 45% of the Company's £99.4 million capital investment (2003: £54.3 million). During the year Venture expended £23.6 million in acquiring additional interests in the Trees and Annabel areas. A further £75.8 million was invested in developing assets, principally Annabel and Saturn (£39.9 million), Audrey well rejuvenation programme (£11.9 million), continued Sycamore development (£11.6 million) and Gadwall sub-sea development costs (£5.1 million). Total capital expenditure in 2004 exceeded that of 2003 as a result of the higher working interests acquired in new and existing assets and the scale of Venture's 2004's investment programme.

In October 2004, Venture raised £24.3 million, net of expenses, in a share placing and open offer of 12,789,034 shares at 200p per ordinary share. In addition, a further 1,928,500 shares were issued to honour share option exercises by employees which raised a further £1.2 million. Additional financing was provided through the Company's long-term debt facility. In 2004, Venture completed a further refinancing of its bank credit facilities. These facilities have been expanded from US$175 million to US$225 million and have been provided by our consortium of banks led by the Royal Bank of Scotland.

The Company had net current liabilities at the balance sheet date of £5.8 million (2003: net current assets £3.8 million) reflecting the increased creditors and accruals associated with the intensive year end activity on the Annabel, 'Trees', and Gadwall investment projects. In the first quarter of 2005, these liabilities were met from the Company's undrawn borrowing facilities.

Hedging

Venture hedges its commodity price exposure for two reasons; to ensure access to capital to deliver continued growth in production and reserves, and to reduce the Company's exposure to commodity price downside risk. In late 2003 and early 2004, in keeping with its long term hedging strategy, Venture put in place a significant amount of oil and gas price hedging from 2004 until the end of 2006. This was done in order to make financial commitments to ensure the delivery of the Company's 2004/5 development programme. The Board remains convinced the decision to implement this hedging was correct and as a direct result, Venture will see the benefits of this in terms of increased production volumes from new development projects coming on stream this year.

To manage commodity price risk and deliver stability to the investment programme the Company's policy is, in normal circumstances, to hedge commodity price exposure up to 50% of its oil and gas production in the UK and Trinidad. In exceptional circumstances, and only with the prior approval of the Board, up to 75% of such production may be hedged. This provides an additional financial tool to protect the Company's ability to continue investing in its asset development programme. Hedges are in place with a variety of counterparties, details of which are summarised in the following tables.

Oil hedges

Period	Swaps	
	Volume (bbl)	**Price ($/bbl)**
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		
January - March	819,000	29.75
April - June	838,599	29.29
July - September	784,000	29.35
October - December	784,000	29.18
2006 (1)	1,612,047	25.35

Gas hedges

Period	Forward Sale		Swaps	
	Volume (therms)	**Price (p/therm)**	**Volume (therms)**	**Price (p/therm)**
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				
January - March	5,112,000	35.55	22,833,000	27.14
April - June	-	-	23,086,700	22.47
July - September	-	-	23,809,600	18.67
October - December	5,113,452	53.39	19,320,000	28.85
2006 (2)	5,002,290	53.39	18,900,000	28.85

(1) Weighted average price ($/bbl)
(2) Weighted average price (p/therm)

Group Profit and Loss account - unaudited
For the year ended 31 December 2004

	2004 £'000	2003 £'000
Turnover	**81,451**	71,030
Cost of sales before exceptional item	**(61,544)**	(45,723
Exceptional item	**(18,052)**	-
Cost of sales	**(79,596)**	(45,723)
Gross profit	**1,855**	25,307
Administrative (expenses)/income	**(202)**	334
Other operating income	**3,317**	44
Operating profit	**4,970**	25,685
Interest receivable and similar income	**476**	182
Interest payable and similar charges	**(5,764)**	(2,420)
(Loss)/profit on ordinary activities before taxation	**(318)**	23,447
Tax on (loss)/profit on ordinary activities	**(5,150)**	(9,750)
(Loss)/profit on ordinary activities after taxation attributable to equity shareholders	**(5,468)**	13,697
Earnings per Ordinary Share		
Basic Earnings per Share	**(5.0)p**	12.7p
Diluted Earnings per Share	**(5.0)p**	11.9p

Group Balance Sheet as at 31 December 2004 - unaudited

	2004		2003 (Restated)	
	£'000	**£'000**	£'000	£'000
Fixed assets				
Tangible assets		**262,900**		178,609
Investments		**-**		-
		262,900		178,609
Current assets				
Stocks	**932**		899	
Debtors	**29,890**		18,025	
Cash at bank and in hand	**3,755**		3,939	
	34,577		22,863	
Creditors - amounts falling due within one year	**(40,341)**		(19,107)	
Net current (liabilities)/assets		**(5,764)**		3,756
Total assets less current liabilities		**257,136**		182,365
Creditors - amounts falling due after more than one year		**(71,877)**		(42,737)
Provisions for liabilities and charges		**(68,080)**		(42,869)
Net Assets		**117,179**		96,759
Capital and reserves				
Called up share capital		**490**		431
Share premium		**103,195**		77,428
Profit and loss account		**13,494**		18,900
Total equity shareholders' funds		**117,179**		96,759

Group Cashflow Statement – unaudited
For the year ended 31 December 2004

	2004	2003
	£'000	£'000
Net cash inflow from operating activities	**44,876**	44,007
Returns on investment and servicing of finance	**(2,415)**	(1,140)
Taxation	**1,704**	201
Capital expenditure and financial investment	**(99,377)**	(54,281)
Net cash outflow before use of liquid resources and financing	**(55,212)**	(11,213)
Net cash inflow from financing	**55,028**	12,377
(Decrease)/increase in net cash	**(184)**	1,164

Reconciliation of operating profit to operating cash flows

	2004	2003
	£'000	£'000
Operating profit	**4,970**	25,685
Impairment write down	**18,052**	-
Depreciation charge	**14,358**	16,254
Increase in stock	**(33)**	(123)
Increase in debtors	**(13,626)**	(3,648)
Increase in creditors	**21,155**	5,839
	44,876	44,007

Analysis of cash flows for headings in the cash flow statement -unaudited

	2004	2003
	£'000	£'000
Returns on investment and servicing of finance		
Interest received	**476**	182
Interest paid	**(2,891)**	(1,322)
Net cash outflow from returns on investment and servicing of finance	**(2,415)**	(1,140)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(99,377)**	(54,281)
Net cash outflow from capital expenditure and financial investment	**(99,377)**	(54,281)
Financing		
Issue of shares net of expenses	**25,543**	-
Exercise of share options held by ESOP	**345**	343
Increase in loan facility	**29,140**	12,034
Net cash inflow from financing	**55,028**	12,377

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the year	**(184)**	1,164
Cash flow from increase in debt	**(29,140)**	(12,034)
Movement in net debt in the year	**(29,324)**	(10,870)
Net debt at 1 January	**(31,420)**	(20,550)
Net debt at 31 December	**(60,744)**	(31,420)

NOTES:

Accounting Convention

The financial information has been prepared on the basis of the accounting policies set out in the Group's 2004 statutory accounts. These policies have been applied consistently, throughout the current year and the preceding year with the exception of a prior year restatement as detailed below.

The Group has adopted UITF Abstract 38, "Accounting for ESOP Trusts" in its 2004 financial statements. The adoption of this abstract represents a change in accounting policy and the comparative figures have been restated accordingly. Under UITF Abstract 38, shares held by the plan, which were previously shown on the balance sheet within "Investments", are now shown as a deduction from profit and loss reserves. As a result, a deduction of £0.2 million has been made to the previously reported profit and loss reserve of £6.0 million. The adoption of UITF Abstract 38 has not resulted in an impact on the profit and loss account in either the current or prior year.

International Financial Reporting Standards

The Group will adopt IFRS with effect from 1 January 2005 and the 2005 interim figures will be prepared on the new basis. Comparative figures for 2004 will also be restated in accordance with IFRS. An exercise to restate the 2004 figures is ongoing and a full restatement of 2004 figures, together with a reconciliation between UK GAAP and IFRS figures, will be completed prior to releasing the interim accounts.

On the basis of our current understanding, the Group figures are likely to be affected in the following areas:

- The reporting and disclosure of oil and gas price hedges.
- The basis of valuing share-based payments will be changed, resulting in a charge to profits when options are granted; and
- Recognition of deferred tax liabilities on the acquisition of licences.

Any changes in interpretation of the relevant standards could affect our understanding of the impact of the adoption of IFRS.

Administration Expenses

Administration expenses for the year are stated inclusive of net exchange gains arising on the revaluation of non-sterling denominated assets and liabilities. In 2004 such gains totalled £2.6 million (2003: £3.5 million).

Dividend

The Directors do not recommend the payment of a dividend given the Company's growth strategy and development opportunities, and it is expected that any cash generated by the Group's operations will be devoted to funding these opportunities.

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:

		2004	2003
		£'000	£'000
(Loss)profit attributable to shareholders		**(5,468)**	13,697
Weighted average number of ordinary shares			
for the year	- Basic	**110,189,645**	107,767,688
	- Fully Diluted	**110,189,645**	114,792,209
Earnings per share	- Basic	**(5.0)p**	12.7p
	- Fully Diluted	**(5.0)p**	11.9p

Acquisition of Oil and Gas Interests

Amounts invested for the acquisition of oil and gas interests are stated exclusive of the provision for future estimated abandonment costs, as required under FRS12, "Provisions and Contingencies".

Statutory Accounts

The above financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 and is unaudited. The comparative financial information is based on the statutory accounts for the year ended 31 December 2003. Those accounts, upon which the auditors have issued an unqualified opinion, have been delivered to the Registrar of Companies.

Full accounts for the year ended 31 December 2004 are due to be posted to shareholders in April 2004 and will be available thereafter from the Company's head office at King's Close, 62 Huntly Street, Aberdeen, AB10 1RS.

External Auditors

The Company's external auditors, PricewaterhouseCoopers LLP, have confirmed that they have reviewed this Preliminary Announcement and it is consistent with the accounts for the Group for the year ended 31 December 2004, which have not yet been delivered to the Registrar of Companies. The report of the auditors on those accounts is expected to be unqualified.

Annual General Meeting

The Annual General Meeting of the Company will be held in Aberdeen in June 2005, notices for which will be sent out in due course.