



VENTURE
PRODUCTION plc

Strengthening our position for growth and consolidation in the North Sea



Venture Production plc
Interim Report 2007

Venture is a UK independent oil and gas company focused on the UK and Dutch sectors of the North Sea.

Venture's strategy involves the acquisition and development of discovered but undeveloped reserves, collectively known as 'stranded' reserves and through operational excellence bringing these reserves into production.

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

"The first half of 2007 saw Venture continue to deliver solid progress across its North Sea business with production continuing at high levels and overall operating performance in line with our expectations. However, financial performance suffered by comparison with the first half of last year, a period during which record high UK gas prices enhanced earnings. Countering this swing in market conditions, despite much lower gas prices this summer we saw significant benefits from our gas price hedging position.

We have continued to drive forward our key development projects, which remain on track, but due to their timing will make a limited contribution to 2007's average production levels. In particular, we are delighted to be able to announce that we have brought the Chiswick gas field onstream. Not only is it expected to boost total Group production levels by close to 20% as we ramp up production from the field but successful completion of this project demonstrates Venture's ability to unlock difficult developments in mature basins such as the North Sea.

To date in 2007 we have made two acquisitions, which will continue to build our southern North Sea gas business. In anticipation of increased acquisition opportunities in the North Sea we have recently completed several financing transactions, which have raised £735 million in new capital, increased our financial flexibility and brought in two new strategic investors. Not only do we remain on track to meet our strategic objective of doubling the size of the business over the 2006-8 timeframe from 30,000-60,000 boepd but we have positioned Venture to continue that growth beyond these goals."

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Highlights of the Period

Revenue

£155.0m

Average production

42.2Mboepd

Capital expenditure

£71.8m

New strategic investment

£200m+

Operational Highlights

- Strong operational performance from all production hubs – meeting expectations.
- Average production down 3% to 42,160 boepd (first half 2006 – 43,572 boepd).
- Continuation of active drilling and development programme.
- Chiswick gas field brought onstream in September adding just under 10,000 boepd and increasing current production rate by close to 20%.

Financial Highlights

- Financial performance driven by slightly lower production levels and lower realised UK gas prices.
- Revenue down 16% to £155.0 million (2006 – £185.4 million).
- Pre-tax profit of £67.7 million (2006 – £97.7 million).
- Profit for the financial period of £33.2 million (2006 – £55.9 million).
- Operating cash flow £98.1 million (2006 – £155.5 million).
- Total capital expenditure (including acquisitions) of £71.8 million (2006 – £65.2 million) – 2007 investment is concentrated in second half.

Corporate Development and Outlook

- Lower level of completed acquisitions in first half reflecting general market conditions.
- New strategic investors – 3i and ArcLight invest over £200 million in Venture.
- Debt refinancing – debt facilities expanded to £585 million.
- Recommended offer for WHAM Energy announced – £14.2 million.
- Outlook – first half performance means average production guidance for 2007 adjusted downwards by 4% to 44,000-46,000 boepd.

Note: All comparatives are with the first half of 2006.

Chairman's & Chief Executive's Review

John Morgan and Mike Wagstaff



“In anticipation of the trend towards greater consolidation in the North Sea, Venture has both strengthened its financial flexibility and brought two new significant strategic investors into its business.”

The first half of 2007 saw Venture continue to deliver solid progress across its North Sea business. Production continued at high levels, albeit slightly lower than anticipated due, principally, to offshore operational issues beyond Venture's control and a delay in start-up of production from the Chiswick field. As announced separately today, first gas from Chiswick was successfully achieved in mid September. Despite these timing variances from plan we have continued to see strong reservoir and well performance across all of our production hubs.

We have continued to make very good progress on key development projects, which, due to the growth of Venture's business are generally larger and more complex than in previous years. As anticipated at the start of the year, development activity in 2007 is concentrated during the second half and whilst our key projects remain on track for completion this year, they will make a limited contribution to 2007 average production levels. 2007 has also been characterised by higher levels of appraisal and exploration activity than in previous years. Overall, the results of this programme have been less successful than we might have hoped, however, they are within the overall range of expectations and will contribute materially to the next generation of field development projects.

From a corporate and business development perspective the first half of 2007 was less active than the corresponding period in 2006 due to the generally subdued state of the North Sea asset trading market. However, since late in the second quarter there has been a significant increase in activity though this has not yet been translated into completed transactions. Notwithstanding this, to date in 2007, Venture has announced two acquisitions including the recently announced recommended offer for WHAM Energy plc which will significantly increase our acreage position in the southern North Sea ('SNS'). In anticipation of the trend towards greater consolidation in the North Sea, Venture has both strengthened its financial flexibility and brought two new significant strategic investors into its business.

Average daily production for the first half of the year decreased by 3% to 42,160 boepd (2006 – 43,572 boepd), primarily due to unexpected operational issues. Revenue decreased by 16% to £155.0 million (2006 – £185.4 million) due to the slightly lower production volumes and significantly lower realised natural gas prices, reflecting the 60% fall in the average spot market price from the first half of 2006 to 2007. Financial performance and costs were in line with expectations and resulted in a pre-tax profit of £67.7 million (2006 – £97.7 million) and profit after tax of £33.2 million (2006 – £55.9 million). During the first half of the year, operating cashflow totalled £98.1 million (2006 – £155.5 million).

Operational Highlights

At 30 June 2007, Venture had interests in a total of over 40 oil and gas fields in the UK and Dutch sectors of the North Sea. Of these, 17 are in production, four are under near term development and the remainder medium term development candidates. These fields are located in four discrete production hubs; 'A' Fields and the Greater Markham Area ('GMA') in the SNS and 'Trees' and the Greater Kittiwake Area ('GKA') which are located in the central North Sea ('CNS').

Group average net daily production including Trinidad for the first six months of 2007 was 42,160 boepd, a decrease of 3% over the comparable period last year. Strong field performance from Annabel, Saturn and Goosander was offset by higher than anticipated downtime on GKA, due to exceptionally poor weather offshore and a damaged tanker loading hose in April, a delay in the start-up of production from the Chiswick field and a later than anticipated onset of gas 'blow down' within the Birch oil field reservoir.

During the first half of 2007, Venture continued its development programme across its growing portfolio of assets. The Company participated in the drilling of nine wells and one new gas field, Mimas, was successfully brought onstream.

'A' Fields

Strong production performance has continued from Venture's SNS 'A' Fields gas production hub. During the first half of 2007 the 'A' Fields produced at an average rate of 21,564 boepd, or 51% of the Group total (2006 – 27,556 boepd and 63%). This decrease in production was due to natural decline, however, Annabel (Venture – 100%) and the Saturn Unit (Venture – 22%) both performed ahead of expectations.

In June, the Mimas gas field (Venture – 15%) came onstream. Mimas has been developed as a satellite to Saturn utilising a single production well drilled from a minimum facilities platform.

During 2007, operated drilling activity in 'A' Fields utilising the Noble Julie Robertson jack-up drilling rig has focused on appraisal and exploration activity. The Ensign appraisal well (Venture operated – net 50%) was completed. The well was successfully drilled, hydraulically fractured and tested at rates of 12-15 million standard cubic feet per day ('MMcfpd'). The future development plan for the field involves the drilling of a hydraulically fractured horizontal appraisal/production well this year, prior to commitment to the production platform and export pipeline. In September, Venture spudded this second Ensign appraisal/production well which is expected to be successfully completed towards the year end. This will enable Venture to sanction development of the Ensign Field with anticipated first gas production in late 2009.

During the first half of 2007, Venture also sidetracked the Amanda discovery well originally drilled in 2003. The Amanda appraisal well (Venture operated – net 66.7%) has been drilled, completed and tested at rates of approximately 2 MMcfpd which is below expectations and is not economic on a stand-alone basis. Given the potential for a joint sub-sea development with Agatha the well is currently being suspended awaiting the results of the Agatha exploration well, which is expected to be drilled in 2008. Studies are also ongoing to evaluate the potential to improve well deliverability.

Chairman's & Chief Executive's Review – continued

The third 'A' Fields well drilled during 2007 was the Channon exploration well (Venture operated – 53%) which commenced drilling in early June and reached a total measured depth of 13,582 feet in late July. The well was designed to test two Rotliegend fault blocks extending across Blocks 47/3h and 47/8c and gas was discovered in both. The well has tested gas at stabilised rates up to a gross rate of 55 MMcfpd and has been suspended for future completion as a producer. Estimated net recoverable reserves from the Channon reservoir are 30 to 40 billion cubic feet ('Bcf') which is at the top end of pre-drill expectations. Discovery of gas at Channon creates the potential for a joint development with the Barbarossa gas discovery located in Block 47/9c (Venture operated – 90%). Venture will earn its 90% interest in Barbarossa once an appraisal/development well planned for late 2007 or early 2008 has been drilled. Expected reserves from this well are around 30 Bcf net to Venture and the most likely development plan is a sub-sea tie-back to nearby infrastructure.

Greater Markham Area ('GMA')

The GMA production hub, which straddles the median line between the UK and Dutch sectors of the North Sea contributed 3,370 boepd or 8% to Group total production during the period (2006 – nil) and tariff income of £2.1 million.

During 2007, GMA development activity was focused on two key projects, the Markham compression tower ('CT') and the Chiswick field development. Installation and commissioning of the Markham CT was completed in early 2007 and has already resulted in an increase in production and improved operating performance. Markham field production performance during the period has been in line with expectations.

The Chiswick Alpha long horizontal development well (Venture operated – 95.0%) was successfully drilled, completed and suspended pending hydraulic fracturing. The well encountered reservoir quality in line with expectations and the Noble

“This innovative project demonstrates Venture's operating expertise and ability to develop and successfully implement efficient solutions.”

Kolskaya jack-up drilling rig returned to the field in late June to drill Chiswick Gamma, the second development well and to facilitate the hydraulic fracturing of the Alpha well. The availability of a well stimulation vessel to perform the hydraulic fracture had initially proved to be a challenge due to the tightness of the supply market.

However, the well has now been successfully fractured and completed utilising a pumping spread mounted on the deck of a large offshore supply vessel. This innovative project demonstrates Venture's operating expertise and ability to develop and successfully implement efficient solutions to the development challenges of the maturing North Sea. This solution will now be re-used on two further wells, the Ensign appraisal well and the Chiswick Gamma development well. As announced today, the first Chiswick well has now been cleaned up and tested at rates in excess of 50 MMcfpd and is expected to reach production rates of up to 60 MMcfpd following completion of the clean-up through the platform facilities.

The Noble Kolskaya drilling rig has now partially drilled Chiswick Gamma, which was suspended to allow the rig to support the stimulation operations on the first Chiswick well. This second producing well is anticipated to be completed and onstream by February 2008.

In the 24th UK Licensing Round, Venture was awarded 100% of Block 49/10c which contains the Stamford discovery, a near term development candidate as a tie-back to Markham.

Greater Kittiwake Area ('GKA')

The GKA production hub (Venture operated – 50%) contributed 8,685 boepd, or 21% of the Group total during the period (2006 – 5,387 boepd and 12.5%). This increase was driven by the contribution of Goosander for a full period and strong performance from Mallard. In particular, Goosander continues to significantly outperform expectations.

Production from the GKA hub was adversely affected by poor uptime availability of the tanker loading and export system due to adverse weather conditions over the 2006/7 winter. The accidental damage to the tanker loading base in April further interrupted normal production, however, this was partially offset by continued strong reservoir performance, particularly from Goosander.

During the first half of 2007 development activity on GKA has been focused on the installation and tie-in of a new export pipeline to the Forties system. The pipeline has now been successfully laid and tied-in and the project remains on schedule to be completed during the early part of the fourth quarter. The new pipeline is expected to substantially improve operational uptime, lower overall operating costs and allow GKA field life to be extended.

In addition, Venture has recently spudded an appraisal well on the Grouse oil field, which if successful, is expected to lead to the field being developed as a sub-sea satellite to Kittiwake coming onstream in 2009. As a result of the strong reservoir and well performance of Goosander, Gadwall and Mallard, GKA productive well capacity is currently significantly greater than the platform processing and export capacity. During the first half of the year we initiated a study into the potential to expand processing and export capacity.

In the 24th Licensing Round, Venture and its GKA partner Dana were awarded Block 21/17 containing the Wagtail and Whinchat discoveries.

'Trees'

During the first half of 2006, the 'Trees' production hub (Venture – 100%) produced at an average rate of 8,000 boepd or 19% of total Group production (10,629 boepd and 24.5% during 2006). Trees production was steady during the period. However, we did not see an anticipated rise in overall production from the 'Trees' hub due to a delay in the onset of gas 'blowdown' within the Birch oil reservoir. This is anticipated as being due to a larger volume of oil in place within the reservoir thereby extending the time taken to depressurise it.

An exploration well to test the Ash prospect (Venture – 100%) in the south of the 'Trees' block 16/12a was drilled as an extended reach well from the Tiffany platform. The well was spudded in late 2006 and reached total depth in March but did not encounter hydrocarbons.

Other Central North Sea

Development activity continued on the Chestnut field (Venture operated – 69.875%) during the first half of the year. Construction of the Sevan 300 floating production unit was completed during the first quarter of 2007 in China. The unit has since been shipped to Rotterdam for installation of the processing equipment and commissioning prior to tow out and installation in the field. The project remains on track for first oil production toward the end of the fourth quarter of 2007 or early 2008.

Appraisal well results on the Pilot (Block 21/27a, Venture operated – 70.4%) and Narwhal (Block 28/2a, Venture operated – 100%) heavy oil discoveries have now been fully evaluated. Oil samples recovered from the Pilot well are somewhat heavier and more viscous than those from previously drilled Pilot wells and this new data will need to be incorporated into the viscosity model that had been developed. Further work will now be carried out to better determine the extent of the commercially recoverable oil. To the south of Pilot, the appraisal well drilled adjacent to the Narwhal discovery failed to encounter hydrocarbons and the well was plugged and abandoned.

Chairman's & Chief Executive's Review – continued

The appraisal well drilled on the Millburn (Block 22/22c, Venture operated – 70%) discovery encountered 12 feet of oil-bearing sandstone. However, this relatively low level of productive reservoir is considered sub-economic and the appraisal well has been plugged and abandoned.

In June, an appraisal well was spudded on the Selkirk oil discovery (Block 22/21, Nexen operated – 31.5%). The well achieved its primary objective which was to identify the oil water contact within the reservoir and prove up a minimum economically developable field size. The well is currently being sidetracked up dip to a crestal location for completion as a future production well.

Corporate and Business Development

Over the last three years, Venture has focused on becoming a low-cost, efficient development and production operator and today, following a series of over 50 acquisitions, ranks as the sixth largest independent operator in the UK sector of the North Sea by gross operated production. In a mature basin such as the North Sea, Venture believes that its operating capability, size, scale and strategic and geographic focus give it a strong competitive position.

In recent months, driven by the fundamentals in the global oil and gas industry, Venture has seen a significant increase in levels of asset trading activity in the United Kingdom Continental Shelf (UKCS) compared to the last few years although this has yet to be translated into completed transactions. This activity is consistent with historical patterns seen in other mature basins such as the US Gulf of Mexico where, as the basin matures, ownership of substantial proportions of the basin's oil and gas reserves has migrated from larger international oil companies to more regionally focused independents.

Venture believes that it is competitively and financially well positioned to capitalise on this consolidation trend, which it believes will create significant opportunities for the Company to expand its business.

In July Venture announced that it has entered into agreements with 3i Group plc and its affiliates ('3i') and ArcLight Capital Partners, LLC and its co-investors ('ArcLight'), which deliver a significant strategic investment in Venture.

In aggregate, 3i and ArcLight have made a total new investment of over £200 million in Venture. Combined with their existing interests, this new investment is intended to give each an approximately 9.9% stake in Venture.

3i and ArcLight's investments consist of a number of elements as follows:

- £151 million in newly issued 3.25% convertible bonds ('CBs') due 2010.
The CBs are convertible into newly issued Venture ordinary shares at a conversion price of £9.15/ share. The CBs will be convertible into 16.5 million new shares equivalent to 11.6% of Venture's fully diluted share capital.
- Conversion of ArcLight's existing North Sea Gas Partners Limited ('NSGP') interest into new Venture ordinary shares.
ArcLight converted its interest in North Sea Gas Partners into 6.03 million newly issued Venture ordinary shares at a price of 772p per share.
- 3i's existing investment in Venture.
3i has an existing investment in Venture of 2.59 million shares, which was acquired in 2006.
- Additional market purchases.
Both 3i and ArcLight have purchased additional Venture shares in the market with the intention of ultimately taking their stakes to approximately 9.9% each over a period of time.

As part of this strategic investment, provided that 3i and ArcLight achieve a minimum fully diluted interest of at least 9.0%, they will each be entitled to nominate a Non-Executive Director to Venture's Board. As of 18 September, both 3i and ArcLight have achieved this minimum interest.

As strategic long-term investors, both ArcLight and 3i have indicated in principle (subject to terms and their respective internal approvals) their commitment to provide further funding through additional future equity capital, if necessary alongside other sources of equity and debt capital, to help support Venture in its North Sea growth strategy.

In late August Venture announced a £585 million refinancing of its debt facilities. This consists of two elements, a £350 million new corporate credit facility and a total of approximately £235 million in privately placed institutional loan notes with maturities of between 10 and 15 years. Combined with the strategic investment from 3i and ArcLight, Venture now has an extremely strong financial base from which to deliver its growth strategy.

To date in 2007, Venture has announced two acquisitions. Firstly, in January Venture announced it had farmed into the Barbarossa gas discovery to acquire a 90% interest by funding the drilling of a well on the field. Barbarossa is adjacent to the recently announced Venture operated Channon gas discovery and it is intended that the two fields will be developed jointly.

Secondly, in August Venture announced an agreed offer to acquire the entire share capital of WHAM Energy plc ('WHAM'), an AIM listed UK independent with interests in a total of 23 blocks in the SNS. The consideration for the acquisition totals approximately £14.2 million in cash and newly issued Venture shares and the acquisition is scheduled to complete in November. WHAM has a broad portfolio of acreage in the SNS and significantly increases Venture's drilling inventory with some high potential opportunities.

“Venture believes that its operating capability, size, scale and strategic and geographic focus give it a strong competitive position.”

Board Development

In May, it was announced that Marie-Louise Clayton, Venture's Finance Director, had given notice of her resignation in order to pursue her career outside the Group. We are in the process of recruiting her replacement and it is envisaged that she will leave by the end of 2007. Marie-Louise has made a substantial contribution to Venture since joining in February 2005 and has been an integral part of the Venture team, which has delivered real growth over that period. The Board wishes her every success in her future career.

In June, Rod Begbie was appointed to the Board as Corporate Development Director, having previously been with Venture as Corporate Development Manager since August 2002. Over the five years that Rod has been with Venture he has made a very significant contribution to Venture's success and his appointment to the Board reflects the anticipated importance of corporate and business development to the next phase of Venture's growth.

In conjunction with the strategic investments in Venture by 3i and ArcLight in August, we announced the appointment of two new Non-Executive Directors representing 3i and ArcLight. Graeme Sword is a partner in 3i's Oil, Gas and Power business unit based in Aberdeen, and Robb Turner is a co-founder of ArcLight. Both Graeme and Robb bring many years of energy industry investment experience, which will be valuable as we continue to build Venture.

Chairman's & Chief Executive's Review – continued

Financial Highlights

Revenue for the period was £155.0 million (2006 – £185.4 million), a reduction of £30.4 million. This is primarily due to the lower winter gas prices experienced in 2007, compared to the exceptional prices of the winter of 2006 and because of the 4% drop in UK production as a result of operational issues. Natural gas accounted for 54% of revenue and 60% of production at an effective realised price ("ERP") of £18.17/boe (2006 – £26.02/boe). This is a reduction of 30% over the ERP achieved for the same period last year. The average spot gas market price for the first half of 2007 was 21p/therm which contrasts with 51p/therm for the same period in 2006. Venture's results were improved by the beneficial gas hedges in place with 44% of gas sales hedged in the first half at an average of 47p/therm. Oil makes up the balance of the business revenues with an increase of 14% in the effective realised price to £30.75/boe (2006 – £27.01/boe). The average hedge price for oil was \$68/boe (£34.87/boe) and covered 54% of oil sales. This price was slightly lower than the average spot price for the first half. Overall hedging contributed £11.8 million to the first half revenues.

Key Statistics	First half 2007 (£/boe)	First half 2006 (£/boe)
Effective Realised Price	22.41	26.33
Lifting Costs (excluding dry holes)	5.45	4.20
Depreciation, Depletion and Amortisation	5.06	5.36
Administrative Expenses	0.51	1.00
UK Production (boepd)	41,624	43,572

Lifting costs have increased by 30% from the first half of 2006. Partly this is attributable to a larger number of workovers, £3.4 million (2006 – £1.2 million). Excluding workovers the lifting cost is £5.01/boe. This increase has been driven by the underlying cost escalation being seen across the industry and was noted in our guidance on lifting costs for the year of £5.30/boe. Venture has extracted from its lifting costs the cost of dry holes and reported this as a separate item in the Income Statement and will continue this practice going forward. This treatment gives visibility to a small but important area of Venture's business. Dry hole costs in the first half of 2007 were £3.3 million (2006 – nil) representing that part of the Ash well which cannot be reutilised.

On a unit basis depreciation, depletion and amortisation have reduced slightly for the first half 2007 to £5.06/boe (2006 – £5.36/boe). This reduction reflects the mix of production and also the impact of the positive revisions to reserves at 2006 year end. For the second half we anticipate the production mix will move this charge towards the guidance level previously provided of £5.80/boe.

The reduction in administrative expenses from £1.00/boe in the first half 2006 to £0.51/boe in 2007 reflects the reversal of a provision in relation to the 2003 LTIP and timing differences that will reverse in the second half.

Operating profit for the period was £70.6 million (2006 – £101.2 million). This reflects poor first half gas prices and the drop in production.

As a result of Venture's positive cash position interest income of £1.2 million has been generated (2006 – £0.8 million). Finance expenses were in line with expectations at £5.5 million (2006 – £4.7 million).

Profit before taxation for the first half of the year was £67.7 million (2006 – £97.7 million) with a tax charge of 51% (2006 – 43%). The increase in tax from 2006 reflects the increase in the Supplementary charge rate from 10% to 20%. It should be noted that Venture continues to be non-tax paying and currently does not anticipate paying cash taxes until 2008. However, Venture elected to pay £15.8 million cash taxes in January 2007 to take advantage of the ability to offset 2005 Capital Allowances against the newly introduced higher tax rate for 2006 – thus achieving an overall tax benefit of £2.0 million.

Profit after taxation for the first 6 months of 2007 was £33.2 million (2006 – £55.9 million). This resulted in fully diluted earnings per share of 24.3p (2006 – 41.8p).

The Group had tangible fixed assets of £703.6 million (2006 – £469.5 million) reflecting continuing field development activity over this period. Intangible assets relates to the Goodwill on the acquisition of CH4. Trade creditors are significantly higher than in the previous periods reflecting the accrued dividend payment of £67.9 million (2006 – nil) paid in July. Kittiwake inventory at 30 June 2007 was 310,856 boe.

The Group's net debt position at 30 June 2007 was £201.5 million, an increase of £14.7 million from 2006 year end. Venture's net hedging position for the second half continues to be a net asset. The net derivative asset of £8.9 million shown in the Balance Sheet relates to gas hedges of £10.4 million asset, oil hedges of £5.2 million liability and FX/interest swaps of £3.7 million asset.

“These new facilities, combined with the £151 million convertible loan notes issued to 3i and ArcLight, put Venture's Balance Sheet into an excellent position to finance further growth.”

Net cash generated from operating activities was £73.2 million (2006 – £149.4 million). This was substantially utilised by capital expenditure of £71.8 million (2006 – £65.2 million). The Group continued to acquire treasury shares in the first half to meet the 2003 LTIP share obligations, which vested in April 2007. In addition £6.1 million was paid to the Employee Benefit Trust for future share requirements, giving a total of share related payments of £21.9 million (2006 – £16.3 million). In accordance with the dividend policy outlined in 2006 there will be no interim dividend declared.

On 29 August the Group's borrowing facility was replaced by a combination of medium term corporate debt of £350 million and a private notes placement of US\$484 million and £25 million. These new facilities, combined with the £151 million convertible loan notes issued to 3i and ArcLight, put Venture's Balance Sheet into an excellent position to finance further growth.

Chairman's & Chief Executive's Review – continued

Outlook and Summary

The first half of 2007 has delivered solid results with underlying operating performance in line with expectations. However, in comparison with 2006 the profitability of our business was impacted by the weak spot market for UK natural gas, which has now considerably improved. This combined with record oil prices, increased production and uptime should lead to an improved second half and full year results.

Other operational guidance remains in place for 2007 as we progress through the second half of the year. Dry hole costs for Narwhal and Millburn (approximately £16.0 million) will be incorporated into the accounts for the full year.

During the first half of 2007, the benefit of Venture's strong underlying reservoir performance was limited by operational events largely beyond the Company's control. However, the last few months have seen a period of strong production performance and facilities uptime with production currently running at approximately 50,000 boepd. With the addition of substantial new production from Chiswick in the fourth quarter, we expect to exit 2007 with production rates of approximately 60,000 boepd. However, some additional slippage in start-up of Chiswick and unanticipated downtime on GKA over the summer have caused us to revise downwards our guidance for average Group production slightly for full year 2007 to between 44,000 and 46,000 boepd.

“2007 has been a year of solid progress in developing our business, which is expected to continue through the remainder of the year and beyond.”

As anticipated, 2007 has been a year of solid progress in developing our business, which is expected to continue through the remainder of the year and beyond. With a broad and diversified asset base, an exciting development programme and favourable commodity price environment, we remain confident of the outlook for Venture's business. Not only do we remain on track to meet our strategic objective of doubling the size of Venture's business over the 2006-8 timeframe from 30,000 boepd to 60,000 boepd around average production, but we have positioned Venture to continue that growth beyond this.



John Morgan
Chairman



Mike Wagstaff
Chief Executive

18 September 2007

Independent Review Report

to Venture Production plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the consolidated interim Balance Sheet as at 30 June 2007 and the related consolidated interim statements of income, cash flows and recognised income and expense for the six months then ended and related 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 Listing Rules of the Financial Services Authority 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.

This interim report has been prepared in accordance with the International Accounting Standard 34, 'Interim financial reporting'.

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 disclosed accounting policies have been applied. 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 and therefore provides a lower level of assurance. 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 2007.

PricewaterhouseCoopers LLP

Chartered Accountants
Aberdeen
17 September 2007

Notes:

- (a) The maintenance and integrity of the Venture Production plc web site 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 web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Condensed Group Income Statement

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Restated Year ended 31 Dec 2006 Audited £000
Revenue	2	155,027	185,376	360,251
Cost of sales		(77,701)	(75,602)	(169,673)
Gross profit	3	77,326	109,774	190,578
Exploration costs		(3,348)	–	(3,872)
Administrative expenses		(3,858)	(7,932)	(5,684)
Loss on foreign exchange		(337)	(941)	(2,465)
Gain on disposal of subsidiary	8	251	–	–
Other operating income		551	253	3,363
Operating profit	2	70,585	101,154	181,920
Finance income		1,231	783	2,547
Finance expense		(5,544)	(4,668)	(10,737)
Change in fair value of derivative financial instruments	4	1,323	–	2,401
Share of profit of associates	9	130	403	604
Profit before tax		67,725	97,672	176,735
Income tax expense	5	(34,512)	(41,777)	(95,142)
Profit for the financial period		33,213	55,895	81,593
Earnings per Ordinary Share				
Basic Earnings per Share	6	25.6p	45.7p	64.5p
Diluted Earnings per Share	6	24.3p	41.8p	59.0p
Special Dividend proposed per share	7	40.0p	–	–
Ordinary Dividend proposed per share	7	10.0p	–	–

All items dealt with in arriving at the profit for the year relate to continuing activities.

Condensed Group Statement of Recognised Income and Expense

For the six months ended 30 June 2007

	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000
Profit for the financial period	33,213	55,895	81,593
Cash flow hedges:			
– Fair value (losses)/gains net of tax	(3,975)	(3,328)	19,862
– Reclassified and reported in net profit	(5,238)	(12,741)	14,051
Total recognised income for the period	24,000	39,826	115,506

Condensed Group Balance Sheet

As at 30 June 2007

	Notes	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000
Assets				
Non-current assets				
Property, plant and equipment	10	703,588	469,534	664,634
Intangible assets		43,278	–	43,215
Investments accounted for using the equity method		11,399	5,919	11,098
Convertible loan notes receivable		5,275	5,805	5,376
Derivative financial instruments		5,200	398	6,093
		768,740	481,656	730,416
Current assets				
Inventories		6,660	5,018	3,183
Trade and other receivables		71,086	52,078	90,427
Derivative financial instruments		8,941	5,789	19,916
Cash and cash equivalents		65,104	50,785	59,167
		151,791	113,670	172,693
Assets classified as held for sale		–	–	3,391
Total assets		920,531	595,326	906,500
Liabilities				
Current liabilities				
Trade and other payables		(122,779)	(49,023)	(81,589)
Derivative financial instruments		(1,269)	(16,254)	–
Income taxes payable		–	–	(16,848)
		(124,048)	(65,277)	(98,437)
Net current assets		27,743	48,393	77,647

Non-current liabilities

Financial liabilities – borrowings	11	(266,596)	(172,120)	(245,921)
Deferred income tax liabilities		(227,071)	(94,812)	(188,685)
Other non-current liabilities		(3,141)	(11,933)	(5,158)
Provisions		(64,244)	(55,215)	(61,831)
Derivative financial instruments		(3,965)	–	–
		(565,017)	(334,080)	(501,595)
Liabilities of subsidiary held for sale		–	–	(1,093)
Total Liabilities		(689,065)	(399,357)	(601,125)

Net assets		231,466	195,969	305,375
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Shareholders' equity

Called up share capital	12	544	498	534
Share premium	12	106,841	105,083	105,084
Other reserves	12	71,920	2,514	86,622
Retained earnings	12	52,161	87,874	113,135
Total shareholders' equity		231,466	195,969	305,375

Condensed Group Cash Flow Statement

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000
Cash flows from operating activities				
Operating cashflow	13	98,133	155,476	284,410
Interest received		1,095	783	2,278
Interest paid		(10,208)	(6,894)	(13,187)
Income tax (paid)/received		(15,801)	51	–
Net cash generated from operating activities		73,219	149,416	273,501
Cash flows from investing activities				
Purchase of property, plant and equipment		(71,775)	(65,169)	(174,027)
Acquisition of subsidiary (net of cash acquired)		–	–	(73,952)
Sale of subsidiary (net of cash disposed)		1,800	–	–
Proceeds from disposal of property, plant and equipment		–	–	9,956
Investments in joint ventures and associates		(243)	–	(6,408)
Net cash used in investing activities		(70,218)	(65,169)	(244,431)
Cash flows from financing activities				
Shares acquired by employee benefit trust		(6,072)	(5,065)	(14,100)
Purchase of treasury shares		(15,817)	(11,191)	(12,033)
Proceeds from borrowings		20,283	–	83,419
Repayments of borrowings		–	(30,537)	(40,000)
Proceeds from issuance of ordinary shares		1,767	–	212
Proceeds from exercise of share options		1,772	178	449
Net cash from/(used in) financing activities		1,933	(46,615)	17,947
Net increase in cash and cash equivalents		4,934	37,632	47,017
Opening cash and cash equivalents		60,170	13,153	13,153
Closing cash and cash equivalents		65,104	50,785	60,170

Notes to the Financial Statements

1. Accounting policies for the six months ended 30 June 2007

Basis of preparation

The interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with IAS 34. The accounting policies are consistent with those of the annual financial statements for the year ended 31 December 2006.

New standards, amendments to standards and interpretations, which are applicable for the financial year ending 31 December 2007, have had no impact on the accounting policies.

The comparative figures for the year ended 31 December 2006 do not constitute statutory financial statements for the purpose of Section 240 of the Companies Act 1985. They 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 those accounts was unqualified and did not contain a statement under either Section 237(2) or (3) of the Companies Act 1985. These financial statements should be read in conjunction with the 2006 financial statements.

During the period, the Group has reclassified all costs relating to exploration activities to a separate line item on the face of the income statement. Comparative figures have been restated as a result of this reclassification.

2. Segmental reporting

Primary segment – business segments

Oil business segment

The oil segment consists of all activities connected with the Group's oil assets, currently the Trees and GKA hubs.

Gas business segment

The gas segment consists of all activities connected with the Group's gas assets, currently the 'A' Fields and the GMA hubs.

Segment results

	Revenues			Operating profit		
	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000
Oil	70,705	60,583	127,188	31,931	27,152	67,786
Gas	84,322	123,991	233,063	41,948	80,567	122,111
Unallocated – Corporate	–	802	–	(3,294)	(6,565)	(7,977)
Total	155,027	185,376	360,251	70,585	101,154	181,920

Notes to the Financial Statements – continued

3. Gross profit

The following items have been charged/(credited) in arriving at gross profit:

	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000
(Underlift)/overlift	(1,490)	153	(1,791)
Operating expenses	37,000	31,911	74,288
Well workover expenses	3,380	1,217	7,706
Depreciation, depletion and amortisation	38,100	42,282	88,242

4. Change in fair value of derivative financial instruments

The change in fair value of derivative financial instruments is the effect of the movement in fair value of the Company's interest and foreign exchange swaps, which are marked to market under IAS 39.

5. Income tax expense

In respect of the Group's UK operations tax has been calculated based on a rate of 30% plus the Supplementary tax of 20% (2006: 30% plus 10% supplementary). The effective tax rate for 2007 is 51% compared with 54% for the year to 31 December 2006.

6. Earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by EBT trusts.

	Six months ended 30 June 2007 Unaudited	Six months ended 30 June 2006 Unaudited	Year ended 31 Dec 2006 Audited
Profit attributable to equity holders of the Company (£000)	33,213	55,895	81,593
Weighted average number of ordinary shares in issue (thousands)	129,492	122,362	126,565
Basic earnings per share (pence per share)	25.6	45.7	64.5

Notes to the Financial Statements – continued

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible debt and share options.

The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is deducted from the number of outstanding share options to give the number of share options with dilutive effect.

	Six months ended 30 June 2007 Unaudited	Six months ended 30 June 2006 Unaudited	Year ended 31 Dec 2006 Audited
Profit attributable to equity holders of the Company (£000)	33,213	55,895	81,593
Interest expense on convertible debt (net of tax) (£000)	159	314	265
Profit used to determine diluted earnings per share (£000)	33,372	56,209	81,858
Weighted average number of ordinary shares in issue (thousands)	129,492	122,362	126,565
Adjustments for:			
– assumed conversion of convertible debt (thousands)	6,118	6,118	6,118
– share options (thousands)	1,659	6,122	5,971
Weighted average number of ordinary shares for diluted earnings per share (thousands)	137,269	134,602	138,654
Diluted earnings per share (pence per share)	24.3	41.8	59.0

7. Dividends

Dividends proposed relate to an ordinary dividend of £0.10 per share and a special dividend of £0.40 per share that were approved at the Company's AGM on 6 June 2007.

A total dividend of £67.9 million was paid on 24 July 2007 (2006: nil).

8. Discontinued operations

The asset held for sale at 31 December 2006, being NSIP (ETS) Limited (formerly CH4 Pipelines Limited), was disposed of on 22 January 2007 to NSIP (Holdings) Limited. The consideration for the sale amounted to £2.4 million and resulted in a gain on disposal to the group of £0.3 million.

Notes to the Financial Statements – continued

9. Share of profit of associates

The share of profit from interests in associated undertakings amounted to £0.1 million. This is the Group's share of the results after tax of Ten Degrees North Energy Limited £0.3 million profit (2006: £0.4 million), North Sea Infrastructure Partners Limited £0.1 million loss (2006: nil) and Sevan Production General Partnership £0.1 million loss (2006: nil).

10. Capital expenditure

Capital expenditure during the period amounted to £74.8 million and mainly related to costs associated with the Chiswick, Amanda-Agatha, Ash, Chestnut and Channon developments.

11. Financial liabilities – borrowings

During the period the Group drew down a further £20.7 million on its senior debt facility.

12. Reserves

During the period the Company issued 2,558,010 shares to honour share options exercised by employees. At 30 June 2007, 136,054,303 ordinary shares were allotted, called up and fully paid (2006: 133,496,293).

The Company transferred £6.1 million to the EBT, which was used to purchase 860,019 ordinary shares in the market. In addition, 3,501,096 treasury shares were transferred to the EBT, 5,478,717 shares were released by the EBT to honour the LTIP 2003 and ADSBP 2005 share schemes and a further 14,100 shares were provided by the EBT to honour share options exercised by employees.

At 30 June 2007, the EBT held 922,441 ordinary shares (2006: 2,054,053) which represented a market value of £6.9 million (2006: £18.1 million) based on the closing share price of £7.44 (2006: £8.83).

The Company acquired 2,173,250 of its own shares during the period for a consideration of £15.8 million. In addition, 62,000 treasury shares were utilised to honour share options exercised by employees and 3,501,096 treasury shares were transferred to the EBT. At 30 June 2007 there were no treasury shares held by the Company (2006: 1,391,846).

Notes to the Financial Statements – continued

13. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

	Six months ended 30 June 2007 Unaudited £000	Six months ended 30 June 2006 Unaudited £000	Year ended 31 Dec 2006 Audited £000
Operating profit	70,585	101,154	181,920
Depreciation charge	38,100	42,282	88,242
Gain on sale of subsidiary	(251)	–	–
Share-based transactions	(5,030)	4,049	10,072
Changes in working capital:			
– Inventories	(3,477)	(2,898)	(1,063)
– Trade and other receivables	19,071	32,911	3,778
– Trade and other payables	(20,865)	(22,022)	1,461
Operating cashflow	98,133	155,476	284,410

14. Contingent liabilities and assets

The Company has provided credit guarantees totalling £18.4 million (2006: £21.4 million) as decommissioning security for assets in the North Sea.

15. Related party transactions

Intra-group related party transactions, which are eliminated on consolidation, are not required to be disclosed in accordance with IAS 24.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial period.

Notes to the Financial Statements – continued

Sales/purchases from related parties

		Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Joint Venture:					
North Sea Gas Partners Limited	Jun 2007	29,763	14,112	6,807	–
	Jun 2006	–	–	–	–
Associates:					
North Sea Infrastructure Partners Limited	Jun 2007	24,480	–	3,895	–
	Jun 2006	–	–	–	–
Sevan Production General Partnership	Jun 2007	–	–	–	–
	Jun 2006	–	–	–	–

Loans from/to related party

		Interest received £000	Amounts owed by related parties £000
Associate:			
Ten Degrees North Energy Limited	Jun 2007	136	136
	Jun 2006	135	135

Joint Venture

North Sea Gas Partners Limited

Venture Production (North Sea Developments) Limited owns 33.33% of the ordinary shares in North Sea Gas Partners Limited (2006: nil).

Associate

North Sea Infrastructure Partners Limited

Venture Infrastructure Limited has a 49.9% interest in North Sea Infrastructure Partners Limited (2006: nil).

Sevan Production General Partnership

Hummingbird Oil Pte Limited owns 20% of the ordinary shares of Sevan Production General Partnership (2006: nil).

Ten Degrees North Energy Limited

Venture Investment Holdings Limited owns 40% of the ordinary shares of Ten Degrees North Energy Limited (2006: 40%).

Notes to the Financial Statements – continued

16. Subsequent events

On 19 July 2007, the Group announced that 3i Group plc and ArcLight Capital Partners LLC were to make a significant strategic investment in Venture. The investment is to total over £200 million. In addition to existing investments, this will give the investors an approximate 9.9% fully diluted stake in the Group. As part of this investment, ArcLight have converted their existing stake in North Sea Gas Partners Limited into new Venture ordinary shares. This effectively results in North Sea Gas Partners Group being 100% owned by Venture.

On 30 August 2007, the Group announced that it had entered into new debt financing arrangements totalling £585 million. These arrangements consist of a new corporate debt facility and an institutional private placement of loan notes. The corporate debt facility of £350 million is arranged and underwritten by Barclays Bank plc. This new facility replaces the Group's premium borrowing base facility. The Group raised \$424 million and £25 million in a private placement of notes with US and UK institutional investors. These notes have final maturities between 10 and 15 years and are at a fixed rate.

17. Capital commitments

At 30 June 2007 the Group had capital commitments of £72.6 million (2006: £56.2 million) relating to capital equipment expenditure.

Glossary

ADSBP	annual deferred share bonus plan
Bcf	billions of cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent per day
bopd	barrels of oil per day
bwpd	barrels of water per day
CBs	convertible bonds
CH4	CH4 Energy Limited
CNS	Central North Sea
CT	compression tower
EABP	employee annual bonus plan
EBT	employee benefit trust
EPS	earnings per share
ERP	effective realised price
GKA	Greater Kittiwake Area
GMA	Greater Markham Area
KPI	key performance indicator
LTIP	long term incentive plan
Mboe	thousands of barrels of oil equivalent
MMcfpd	millions of cubic feet per day
MMbo	millions of barrels of oil
MMboe	millions of barrels of oil equivalent
NSGP	North Sea Gas Partners Limited
NSIP	North Sea Infrastructure Partners Limited
SNS	southern North Sea
UKCS	United Kingdom Continental Shelf
Venture	Venture Production plc
WHAM	WHAM Energy plc

Unit lifting costs are defined as: Royalty costs, Production expense, Workover and Projects, Transport and Process costs and General Lease expenses.

Effective Realised Price is defined as: Revenue divided by Sales Volume.

Note: 6 Bcf = 1 MMboe

Reserve replacement ratio

The reserve replacement ratio for any given period is calculated by dividing the sum of reserve additions by the production for the corresponding period and is expressed as a percentage.

Shareholder Information

Venture's share price is quoted on the London Stock Exchange, symbol VPC, and is a component of the FTSE 250 index. Information on Venture is available online at the Company's web site (www.venture-production.com). A range of shareholder information is offered by our Registrar's online portfolio service at www.shareview.co.uk, where you can check your holding and find practical help on transferring shares or updating your details. For general shareholder enquiries please call 0870 600 3964.

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