Venture Production (GMA) Limited

Directors' Report and Financial Statements

for the year ended 31 December 2007

Registered number 04480539

Venture Production (GMA) Limited

Registered No 4480539

Directors
M J Wagstaff
J D Murphy
P A Turner
R M Begbie
J L Roger
H N J Versteeg

Secretary
S N Waite

Auditors
PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen
AB10 1YL

Bankers
Deutsche Bank AG
Winchester House
1 Great Winchester Street
London ECSN 2DB

The Royal Bank of Scotland
62/63 Threadneedle Street
London EC2R 8LA

Solicitors
Stronachs
34 Albyn Place
Aberdeen
AB10 1FW

Registered Office
Tower 42
Level 35
25 Old Broad Street
London EC2N 1HQ

Directors' Report and Financial Statements
for the year ended 31 December 2007

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Directors' Report for the year ended 31 December 2007

The directors present their report and audited financial statements of the Company for the year ended 31 December 2007

Principal activity

The principal activity of the Company is exploration for, development, production and transportation of natural gas in the UK and Dutch North Sea through its interests in the Greater Markham Area (GMA) gas assets

Risks and Uncertainties

The main risks arising from the Company's activities are commodity price risk, interest rate risk, liquidity risk and credit risk The Board reviews and agrees policies for managing each of these risks

Review of the business

The GMA centres upon the Venture operated Markham and Chiswick fields which straddle the UK/Dutch median line Installation and commissioning of the Markham compression tower was completed in early 2007 and has resulted in an increase in production Markham field production performance during the year has been slightly ahead of expectation

On the Chiswick field, development and inter-field pipeline to Markham have now been installed and tied-in The jack-up drilling rig was delayed in arriving from its previous operator As a result, drilling of the first Chiswick production well was later than originally scheduled with first gas production from Chiswick in September 2007

On 1 February 2008, the Company's interests in the Markham, Chiswick and Windermere gas fields were transferred to Venture North Sea Gas Limited for consideration of £166,100,000

Key Performance Indicators

€ per boe produced	**2007**	2006
Effective Realised Price	**40.87**	41 34
Lifting Costs Total	**8.63**	14 37
Depreciation, Depletion and Amortisation	**9.13**	6 61
Administrative Expenses	**0.11**	3 28

Results and dividends

The Company's loss for the year amounted to €8,049,000 (2006 €3,481,000 loss) and will be transferred from reserves The directors do not propose the payment of a dividend (2006 nil)

Directors' and their interests

The directors who held office during the year were as follows

M J Wagstaff	
J D Murphy	
M L Clayton	(resigned 6 December 2007)
P A Turner	(appointed 6 December 2007)
R M Begbie	
J L Roger	
H N J Versteeg	

None of the directors had any interests in the issued share capital of the Company The directors interests in the share capital of the Company's parent, Venture Production plc, and details of options held by the directors in respect of the share capital of the Company, are disclosed in the financial statements of that Company

Statement of directors' responsibilities

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

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

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

Credit payment policy

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

At 31 December 2007, the Company had an average of 40 days (2006 25 days) purchases outstanding

Auditors and Disclosure of Information to Auditors

So far as the Directors are aware there is no relevant information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to be aware of any relevant information and to establish that the Company's auditors are aware of that information

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

By order of the Board

P A Turner
Director

3 July 2008

Independent Auditors' Report to the Members of Venture Production (GMA) Limited

We have audited the financial statements of Venture Production (GMA) Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Aberdeen
3 July 2008

Income Statement for the year ended 31 December 2007

	Notes	2007 €000	2006 €000
Revenue		**46,590**	42,239
Cost of sales		**(27,101)**	(26,087)
Gross profit		**19,489**	16,152
Administrative expenses		**(184)**	(3,733)
Gain on disposal of fixed asset		-	11,539
Gain on foreign exchange		**9,294**	3,995
Operating profit	2	**28,599**	27,953
Finance income	3	**91**	589
Finance expense	3	**(3,996)**	(23,556)
Profit before taxation		**24,694**	4,986
Taxation	4	**(32,743)**	(8,467)
Loss for the year	17	**(8,049)**	(3,481)

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

Statement of Recognised Income and Expense for the year ended 31 December 2007

There are no recognised gains or losses in the year other than as stated above

Balance Sheet as at 31 December 2007

	Notes	2007 €000	2006 €000
Assets:			
Non-current assets			
Property, plant and equipment	5	**281,940**	146,270
Investments	6	**14,606**	14,606
		296,546	160,876
Current assets			
Inventories	7	**335**	317
Trade and other receivables	8	**31,366**	19,960
Cash and cash equivalents	9	**2,749**	5,782
		34,450	26,059
Liabilities:			
Current liabilities			
Trade and other payables	10	**(98,534)**	(31,645)
		(98,534)	(31,645)
Net current (liabilities)		**(64,084)**	(5,586)
Non-current liabilities			
Financial liabilities – borrowings	11	**(186,625)**	(138,407)
Deferred tax liabilities	12	**(40,580)**	(6,312)
Other non-current liabilities	13	**-**	(941)
Provisions	14	**(12,206)**	(8,530)
		(239,411)	(154,190)
Net (liabilities)/assets		**(6,949)**	1,100
Shareholder's equity			
Called up share capital	16	**8,899**	8,899
Retained earnings – (deficit)	17	**(15,848)**	(7,799)
Total shareholder's equity		**(6,949)**	1,100

The financial statements on pages 6 to 21 were approved by the board of directors on 3 July 2008 and were signed on its behalf by

P A Turner
Finance Director

Cash Flow Statement for the year ended 31 December 2007

	Notes	2007 €000	2006 €000
Cash flows from operating activities			
Operating cash flow	18	**87,616**	37,920
Interest received		**91**	589
Interest paid		-	(20,510)
Income tax rebate		-	90
Net cash generated from operating activities		**87,707**	18,089
Cash flows from investing activities			
Purchase of property, plant and equipment		**(138,961)**	(100,734)
Net cash used in investing activities		**(138,961)**	(100,734)
Cash flows from financing activities			
Loans from other group undertakings		**48,221**	-
Proceeds from borrowings		-	65,317
Proceeds from issuance of ordinary shares		-	8,899
Net cash generated from financing activities		**48,221**	74,216
Net decrease in cash equivalents		**(3,033)**	(8,429)
Opening cash and cash equivalents		**5,782**	14,211
Closing cash and cash equivalents		**2,749**	5,782

Notes to the Financial statements

1. Accounting Policies for the year ended 31 December 2007

Basis of Preparation

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations endorsed by the European Union ('EU') and with those parts of the Companies Act 1985, applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention A summary of the more important Company accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the period

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the year Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

Fundamental Accounting Concept

The Company had net current liabilities at the balance sheet date of €64,084,000 and an accumulated deficit of shareholders' funds of €6,949,000 The financial statements have been prepared on a going concern basis as Venture Production plc intends to support the Company and has indicated that it will not request payment of liabilities due, if necessary, to allow the Company to meet its short term obligations

Critical estimates and judgements

The main estimates made by the Company included decommissioning estimates, estimates of future capital expenditures used in the calculation of depreciation, depletion and amortisation ('DD&A'), and hydrocarbon reserve estimates See accounting policy on each item for further information

The main judgements made by the Company included tax provisions See accounting policy for further information

Revenue Recognition

Revenue from sales of natural gas is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer For natural gas, this generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism

Revenue resulting from the production of natural gas properties in which the Company has an interest with other producers is recognised on the basis of the Company's working interest (entitlement method) Consequently, for sales in respect of volumes sold, adjustments for overlift (liftings greater than production entitlement) and underlift (production entitlement greater than liftings) are recorded against cost of sales at market value

Tariff revenue from the use of the Company's platform and pipeline facilities is recognised when products are physically transferred into a vessel, pipe or other delivery mechanism

1. Accounting Policies for the year ended 31 December 2007 (continued)

Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency") In the case of Venture Production (GMA) Limited, this is the Euro

(b) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges The year end exchange rate against sterling used was €1 4033 (2006 €1 4838)

Oil and Gas Exploration and Development Expenditure

Oil and gas exploration and development expenditure is accounted for using the successful efforts method of accounting

Expenditure incurred prior to obtaining the legal rights to explore an area is expensed immediately to the income statement

Expenditure directly associated with an exploration well is capitalised on a licence by licence basis Costs are held, un-depleted, on the balance sheet under exploration assets, until the success or otherwise of the well has been established Costs will continue to be held as an asset if the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial All such carried costs are subject to technical, commercial and management review at least once a year to confirm the intent to develop or otherwise extract value from the discovery When this is no longer the case, the costs are written off When proved reserves are determined and development is sanctioned, the relevant costs are transferred to development and producing assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, is capitalised within development and producing assets on a field by field basis

Upon commencement of production, these costs are amortised on a unit of production basis that is calculated on budgeted capital expenditure and proven and probable reserves

Property, Plant and Equipment

All property, plant and equipment is shown at cost less subsequent depreciation and impairment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and for qualifying assets, borrowing costs The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred

1. Accounting Policies for the year ended 31 December 2007 (continued)

Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for the impairment Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's net realisable value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows These cash-generating units ("CGUs") are aligned to the business unit and sub-business unit structure the Company uses to manage its business Cash flows are discounted in determining the value in use

Exploration/appraisal assets are reviewed regularly for indicators of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable In such circumstances the exploration asset is allocated to development/producing assets within the same field and tested for impairment Any such impairment arising is recognised in the income statement for the period Where there are no development/producing assets within a business unit, the exploration/appraisal costs are charged immediately to the income statement

Impairment reviews on development/producing assets are carried out on each CGU identified in accordance with IAS 36 'Impairment of Assets' The Company's CGUs are those assets which generate largely independent cash flows and are normally, but not always, single development areas

At each reporting date, where there are indicators of impairment, the net book value of the CGU is compared with the associated expected discounted future post-tax net cash flows If the net book value is higher, then the difference is written off to the income statement as impairment Discounted future net cash flows for IAS 36 purposes are calculated using forward curve pricing for the first five years and management's view of the long term price thereafter Cash flows are discounted to present value using a discount rate of 8% Forecasted production profiles are determined on an asset by asset basis, using appropriate petroleum engineering techniques

Where there has been an impairment charge in an earlier period, that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods

Deferred Consideration

Deferred consideration relates to the future cash consideration payable in respect of acquisitions which is contingent on the outcome of future events When an acquisition agreement provides for an adjustment to the consideration contingent on future events, provision is made for that amount if the adjustment is probable and can be measured reliably The amount provided is included in the cost of the acquisition When the final amount payable is determined or when revised estimates are made the acquisition cost and provision are adjusted accordingly Deferred consideration is recorded at its fair value

1. Accounting Policies for the year ended 31 December 2007 (continued)

Under/Overlift

Lifting or offtake arrangements for oil and gas produced in certain of the Company's jointly owned operations, are such that each participant may not receive and sell its precise share of the overall production in each period The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift' Underlift and overlift are valued at market value and included within debtors and creditors respectively Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlement basis The Company's share of any physical stock is accounted for at the lower of cost and net realisable value

Inventories

Inventories are stated at the lower of cost and net realisable value and comprise oil in tanks and pipelines and materials Cost values for stocks of oil are calculated using a weighted average cost for the year

Trade Receivables

Trade receivables are recognised and carried at original invoice amount less any provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, bank overdrafts and deposits held at call with banks with maturity dates of less than three months Bank overdrafts are shown within current liabilities on the balance sheet

Share Capital

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business are included in the cost of acquisition as part of the purchase consideration Dividends on ordinary shares are not recognised as a liability or charged to equity until they have been declared

Capitalised Interest

Interest is capitalised gross of related tax relief during the period of construction, where it relates either to the financing of major projects with long periods of development, or to dedicated financing of other projects All other interest is charged against income

Taxation

The tax charge represents the sum of tax currently payable and deferred tax Tax currently payable is based on the taxable profit for the year Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date

Current UK Petroleum Revenue Tax (PRT) is charged as a tax expense on chargeable field profits included in the profit and loss account and is deductible for UK corporation tax

1. Accounting Policies for the year ended 31 December 2007 (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction effects neither accounting nor taxable profit or loss, it is not accounted for Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements A corresponding tangible fixed asset of an amount equivalent to the provision is also created This is subsequently depreciated as part of the capital costs of the production and transportation facilities Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset Unwinding of discount is treated as a finance cost

Disclosure of impact of new and future accounting standards

The following standards, amendments and interpretations to published standards were mandatory for the year ended 31 December 2007

- **IFRS 7 Financial Instruments Disclosures**
  The application of IFRS 7 has resulted in additional disclosures in the Company accounts in Notes 8 and 15 The application of IFRS 7 has not had a material impact on the Company's income statement, balance sheet or cash flow statement

- **Amendment to IAS 1**
  The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages its capital

The Company has not yet adopted the following standards, amendments and interpretations which are only effective for periods commencing on or after 1 January 2009

- **IAS 1 Presentation of Financial Statements**
  This standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities

Other standards, amendments and interpretations were considered but specifically excluded as they were not expected to impact the Company

2. Operating profit

The following items have been charged in arriving at operating profit

	2007	2006
	€000	€000
Depreciation, depletion and amortisation	**15,015**	4,753
Gain on disposal of fixed asset	-	11,539
Deferred PRT	**1,866**	-

2. Operating profit (continued)

No remuneration was paid to the directors during the year in respect of their services to the Company Details of remuneration paid to the directors in respect of their services to the Group are disclosed in the annual report for the year ended 31 December 2007 of the Company's immediate and ultimate parent, Venture Production plc

The Company has no employees (2006 nil)

The Company audit fee is paid by Venture Production plc, its parent company An estimate of the fee attributable to the Company is €22,000 (2006 €68,000)

In 2006, the Company sold 5% of its interest in the Chiswick field for a consideration of €12,588,452

3. Finance income and expense

Finance income	**2007**	2006
	€000	€000
Bank interest	**50**	-
Other interest	**41**	589
	91	589

Finance expense	**2007**	2006
	€000	€000
Interest payable on loans	-	20,475
Capitalised interest	**(7,907)**	(2,373)
Interest payable to other group undertakings	**11,532**	592
Finance charge for decommissioning provision (Note 14)	**371**	265
Other interest	-	4,597
	3,996	23,556

4. Income Tax Expense

Analysis of charge for the year

	2007	2006
	€000	€000
Current tax	-	-
Prior year tax charge	-	(90)
Deferred tax – adjustment in respect of prior years	**7,548**	387
Deferred tax – relating to origination and reversal of timing differences	**25,195**	8,170
Tax charge for the year	**32,743**	8,467

4. Income Tax Expense (continued)

The tax for the period is higher (2006 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 €000	2006 €000
Profit on ordinary activities before tax	**24,694**	4,986
Tax @ 30%	**7,408**	1,496
Effects of		
Supplementary tax charge	**3,555**	3,154
Adjustments to tax in respect of prior periods	**7,548**	297
Non deductible expenses	**3,567**	66
Gain on sale of asset	-	(3,463)
Group relief and losses not recognised	**15,817**	1,221
Deferral of held over gain	-	5,696
Movement on non qualifying assets	**(863)**	-
Ring fence expenditure supplement	**(4,289)**	-
Total taxation charge	**32,743**	8,467

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

5. Property, plant and equipment

	Developing & Producing Assets €000	**Total €000**
Cost		
At 1 January 2007	167,224	167,224
Additions	150,685	150,685
Disposals	-	-
At 31 December 2007	**317,909**	**317,909**
Depreciation		
At 1 January 2007	20,954	20,954
Charge for the year	15,015	15,015
At 31 December 2007	**35,969**	**35,969**
Net book amount at 31 December 2007	**281,940**	**281,940**

Additions within producing assets include capitalised interest of €7,907,000 (2006 €2,373,000)

5. Property, plant and equipment (continued)

	Developing & Producing Assets €000	Total €000
Cost		
At 1 January 2006	67,560	67,560
Additions	99,790	99,790
Disposals	(1,196)	(1,196)
Adjustments	1,070	1,070
At 31 December 2006	167,224	167,224
Depreciation		
At 1 January 2006	16,201	16,201
Charge for the year	4,753	4,753
At 31 December 2006	20,954	20,954
Net book amount at 31 December 2006	146,270	146,270

6. Investments

Shares in group undertakings	2007 €000	2006 €000
At 1 January and 31 December	**14,606**	14,606

The Company's subsidiary undertakings at 31 December 2007 were as follows

Name	Nature of business	Country of registration/ incorporation	Percentage of nominal share capital & voting rights
Venture Production (DMF) Limited (formerly CH4 DMF Limited)	Natural gas production	UK	100%
Venture Production (Nederland) BV (formerly CH4 Nederland BV)	Natural gas exploration and production	Netherlands	100%

7. Inventories

	2007 €000	2006 €000
Materials and supplies	335	317

8. Trade and other receivables

The fair value of trade and other receivables are as follows

	2007 €000	2006 €000
Amounts falling due within one year:		
Trade receivables – net	**6,307**	7,152
Amounts due from group undertakings	**11,113**	10,252
Other debtors and accrued income	**9,078**	2,044
Prepayments	**4,868**	512
	31,366	19,960

Trade and other receivables are made up of 98% (2006 99%) of balances that are not overdue as the payment terms established with the Company's customers have not been exceeded The remaining overdue balance is not considered to be impaired

Trade receivables and other receivables include amounts denominated in the following major currencies

	2007 €000	2006 €000
GBP	12,983	-
Euro	18,383	19,960
Total trade and other receivables	31,366	19,960

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above The Company does not hold any collateral as security

9. Cash and cash equivalents

	2007 €000	2006 €000
Cash at bank and in hand	**2,749**	5,782

Cash and cash equivalents comprised only cash at bank and in hand

10. Trade and other payables

	2007 €000	2006 €000
Amounts falling due within one year:		
Amounts owed to group undertakings	**3,641**	4,212
Trade payables	**822**	56
Accruals and deferred income	**23,532**	15,313
Other payables	**69,794**	12,064
Deferred acquisition liability	**745**	-
	98,534	31,645

11. Financial liabilities – borrowings

	2007 €000	2006 €000
Loans from group undertakings	**186,625**	138,407

Loans from group undertakings include a €8,322,000 loan from subsidiary company Venture Production (DMF) Limited The loan accrues interest at 9 25% per annum and is repayable in full on 15 December 2010

The remainder of the balance is a loan from Venture Production plc The Company has confirmed that the loan is not repayable until 1 January 2010 unless by mutual agreement Interest is charged on a quarterly basis at 1% above the base rate

Interest charged in the year is shown in Note 3

12. Deferred tax liability

	2007 €000	2006 €000
At 1 January	**6,312**	(1,754)
Profit and loss charge (Note 4)	**32,743**	8,557
Deferred PRT	**1,866**	-
Exchange differences	**(341)**	-
Change in accounting policy	-	(491)
At 31 December	**40,580**	6,312

The total deferred tax liability at 31 December 2007 comprised accelerated capital allowances of €117,310,000 (2006 €59,890,000) partially offset by tax losses of €79,598,000 (2006 €56,844,000), a held over gain of nil (2006 €5,695,000) and other deferred tax assets/liabilities of €2,868,000 liability (2006 €2,429,000 - asset) Additionally a liability of €1,866,000 has been recognised for deferred PRT on the Markham field

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net

13. Other non-current liabilities

	2007 €000	2006 €000
Deferred consideration	-	941

Deferred consideration relates to amounts payable in respect of the purchase of various interests in gas assets, the timing of which is dependent upon the attainment of certain field development and production milestones

14. Provisions

Provisions for decommissioning	2007 €000	2006 €000
At 1 January	**8,530**	9,335
Increased provision on asset additions	-	3,674
Adjustment to existing provision	**3,305**	(4,744)
Finance charge for the year (Note 3)	**371**	265
At 31 December	**12,206**	8,530

14. Provisions (continued)

These decommissioning costs are expected to be incurred in the period from 2022 to 2023 The provision has been based upon existing technology, current legislation requirements and discounted using a rate of 7 5% (2006 7 5%) The estimated decommissioning costs and the pre-tax discount rate applied take into account the effects of inflation and risks and uncertainties concerning amounts to be settled in the future

15. Financial Instruments

The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk These are managed as part of the Venture group, which the Company is a subsidiary of The Board reviews and agrees policies for managing each of these risks and they are summarised below

Market Risk

The Company is exposed to market risk, primarily related to commodity prices The Company actively monitors these exposures

The Company's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in commodity prices

Commodity Price Risk

The Company has exposure to price risk related to anticipated revenues from natural gas A change in those prices may alter the gross margin of the Company

To manage commodity price risk and deliver stability to the investment programme, the Group's policy is to allow hedging of commodity price exposure up to 50% of its gas production In exceptional circumstances and only with the prior approval of the Board, up to 75% of such production may be hedged Hedges have been put in place with a variety of providers

If the average gas price had been 10% higher or lower during 2007, post-tax profit for the year and equity would have been €629,000 higher or lower (2006 €1,337,000 higher or lower)

Credit Risk

Credit risks arise from the possibility that customers may not be able to settle their obligations as agreed To manage this risk, the Company periodically assesses the financial reliability of customers The Company's major customers are typically companies which have strong credit ratings assigned by international credit rating agencies The nominal value less impairment provision of trade accounts receivables and payables are assumed to approximate their fair value The Company's policy is to deal with customers with an 'A' rating or better where possible At 31 December 2007, 100% (2006 100%) of trade receivables were such customers

Liquidity Risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price Liquidity, funding risks and related processes and policies are overseen by management The Company manages its liquidity risk on a consolidated basis based on business needs and through numerous sources of finance in order to maintain flexibility

15. Financial Instruments (continued)

Capital Risk

The Company seeks to maintain an optimal capital structure and monitors its capital structure, to ensure this is in line with business needs, ongoing asset development and to fund potential future acquisitions

The following table provides a comparison by category of the book values and the fair values of the Group's financial assets and financial liabilities at the balance sheet date

	Book value 2007 €000	Fair value 2007 €000	Book value 2006 €000	Fair value 2006 €000
Fair value of non-current financial assets and financial liabilities held or issued to finance the Company's operations:				
Deferred acquisition liability (Note 13)	**-**	**-**	(941)	(941)
Loans from group undertakings (Note 11)	**(186,625)**	**(186,625)**	(138,407)	(138,407)
Fair value of other financial assets and financial liabilities held or issued to finance the Company's operations:				
Trade and other payables (Note 10)	**(98,534)**	**(98,534)**	(31,645)	(31,645)
Trade and other receivables (Note 8)	**31,366**	**31,366**	19,960	19,960
Cash at bank and in hand (Note 9)	**2,749**	**2,749**	5,782	5,782

Maturity of Financial Liabilities

The following table sets forth details of the financial liabilities which will be settled on a net basis into relevant maturity groupings as at 31 December 2007 and 2006 The amounts disclosed in the table are the contractual undiscounted cash flows including interest payments at the applicable fixed rate

As at 31 December 2007	Due in less than 1 year €000	Due in 1 to 2 years €000	Due in 2 to 5 years €000	Due after 5 years €000	Total €000
Current liabilities					
Trade and other payables	(98,534)	-	-	-	(98,534)
Total current liabilities	(98,534)	-	-	-	(98,534)
Non-current liabilities					
Loans from group undertakings	-	-	-	(186,625)	(186,625)
Total non-current liabilities	-	-	-	(186,625)	(186,625)
Total financial liabilities	(98,534)	-	-	(186,625)	(285,159)

As at 31 December 2006	Due in less than 1 year €000	Due in 1 to 2 years €000	Due in 2 to 5 years €000	Due after 5 years €000	Total €000
Current liabilities					
Trade and other payables	(31,645)	-	-	-	(31,645)
Total current liabilities	(31,645)	-	-	-	(31,645)
Non-current liabilities					
Deferred acquisition liability	-	(941)	-	-	(941)
Loans from group undertakings	-	-	-	(138,407)	(138,407)
Total non-current liabilities	-	(941)	-	(138,407)	(139,348)
Total financial liabilities	(31,645)	(941)	-	(138,407)	(170,993)

16. Called up share capital

	2007 €000	2006 €000
Authorised:		
6,000,000 ordinary shares of £1 each	**8,899**	8,899
Allotted, called up and fully paid:	**€000**	€000
6,000,000 ordinary shares of £1	**8,899**	8,899

17. Retained earnings

	€000
At 1 January 2006	(4,809)
Loss for the year	(3,481)
Change in accounting policy	491
At 1 January 2007	(7,799)
Loss for the year	(8,049)
At 31 December 2007	(15,848)

18. Cash flow from operating activities

Reconciliation of operating profit to net cash generated from operating activities

	2007 €000	2006 €000
Operating profit	**28,599**	27,953
Depreciation charge	**15,015**	4,753
Changes in working capital		
- Inventories	**(18)**	(317)
- Trade and other receivables	**(11,406)**	(4,036)
- Trade and other payables	**55,426**	9,567
Cash generated from operations	**87,616**	37,920

19. Capital commitments

At 31 December 2007 the Company has commitments of nil (2006 €46 million) relating to capital expenditure

20. Related party transactions

During the year the Company incurred charges of €11,918,000 (2006 €592,000) from other group undertakings in respect of loan interest Amounts due by and to the Company to its parent and other group undertakings are shown in Notes 8 and 10

21. Events after the Balance Sheet Date

On 1 February 2008, the Company's interests in the Markham, Chiswick and Windermere gas fields were transferred to Venture North Sea Gas Limited for consideration of £166,100,000

22. Ultimate Parent undertaking

Venture Production plc, a company registered in Scotland is the parent undertaking of the only Group to consolidate the financial statements of the Company and is also the ultimate parent undertaking Copies of the Group Annual Report and Accounts may be obtained from the Company Secretary at 34 Albyn Place, Aberdeen AB10 7FW