Registered number SC169182

Venture Production Limited (formerly Venture Production plc)
Annual Report and Financial Statements
for the year ended 31 December 2009

Venture Production Limited (formerly known as Venture Production plc)

Registered No. SC169182

Directors
JL Roger
IG Dawson
VM Hanafin
NL Luff

Secretary
PM Coles

Auditors
PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen
AB10 1YL

Bankers
Barclays Bank plc
Business Bank Scotland
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52-54 Rose Street
Aberdeen
AB10 1HA

Solicitors
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Registered Office
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62 Huntly Street
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Annual Report and Financial Statements
for the year ended 31 December 2009

Contents

Directors' Report for the year ended 31 December 2009

The Directors present their report and audited financial statements of Venture Production Limited (formerly known as Venture Production plc) (the "Company") for the year ended 31 December 2009.

Principal activity and review of business

The principal activity of the Company is that of a holding company. Venture Production Limited (formerly known as Venture Production plc) is the holding Company for the Venture group of companies which are involved in the production of oil and gas. The Company was acquired by Centrica plc on 27 August 2009 and is now a wholly-owned subsidiary. (Note 23)

During the year, Centrica plc acquired 100% of the issued share capital of the Company for total consideration of £1,253 million in a series of transactions occurring between 18 March 2009 and 9 November 2009. Centrica plc obtained a controlling interest in the Company on 27 August 2009. The Company was therefore consolidated as a subsidiary of Centrica plc from this date.

Post balance sheet events

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 4 May 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

On 2 June 2010 the Company was re-registered as a private limited company under section 97 of the Companies Act 2006. On the same date, the Company changed its name to Venture Production Limited.

Principal risks and uncertainties

The Company holds investments in the Centrica plc group of companies. The principal risk and uncertainty facing the Company is that the performance of the subsidiary companies does not result in dividend income to the Company or that its investments may become impaired in value. Other risks and uncertainties that the Company can foresee for itself and its subsidiaries ("Venture") are:

Misstatement of Reserves Risk: There is a robust and externally validated process applied to Venture's reserves statements. This process is fully compliant with the Society of Petroleum Engineers (SPE) PRMS standards. With the existing processes in place, the Board perceives this risk as low, but believes it should continue to be highlighted as a key area because of its fundamental relationship to value.

Third Party Infrastructure Risks: In common with many operators, Venture relies on third party production hubs and pipelines to deliver its products to market and will continue to have a high degree of dependence on third party facilities. Sound relationships and good communication with third party management remains an ongoing priority.

Technical and Geological Risks: Technical risk is inherent in all aspects of the Venture's business. Venture manages complex infrastructure, handles volatile, high pressure substances and must do safely, efficiently and without damage to the environment. It must also manage subsurface risk and seek maximum understanding of its hydrocarbon reservoirs. Drilling costs are Venture's single largest item of expenditure so it is crucial to understand the technical risks of exploration, appraisal and development drilling.

Directors' Report for the year ended 31 December 2009 (continued)

Principal risks and uncertainties (continued)

Technical and Geological Risks (continued)

The drilling of exploration and appraisal wells contains the inherent risk that no commercially productive hydrocarbon reservoirs are encountered. The seismic data and other technologies that are used do not provide conclusive evidence prior to drilling a well that hydrocarbons are present or may be produced economically. Therefore, the wells that are drilled or participated in may not be productive and Venture may not recover all or any portion of its investment in those wells. The management of technical risk is under constant review internally to ensure the existence of the right technical skills, control processes and relationships with third parties.

Recognising the inherent uncertainty of subsurface issues, a range of mitigating measures is in place to maximise the likelihood of successful drilling and operational performance.

Contractor/Supplier Risks: Venture's partnership approach with contractors and suppliers has continued to work well during the year under review, with risk surrounding performance assurance and basic access to key equipment and services. Together with Venture's contractors and suppliers, the market developments are carefully monitored and will seek to reflect changing circumstances appropriately in its contractual relationships.

Safety and Environmental Risks: Venture's HSE performance has been consistently good over time as the scale of activity has grown. The area remains one of key focus with regular reporting and review. Emphasis on the performance of the Company and its contractors in this area will continue to remain high.

As the Company became a wholly-owned subsidiary of Centrica plc during 2009, the principal risks and uncertainties facing the Centrica plc Group of companies (the 'Group') are discussed on pages 29-34 of the 2009 Annual Report and Accounts of the Group which does not form part of this report.

The Board is in agreement that appropriate processes and controls are in place to effectively manage the risks highlighted above, and will review the actions on a regular basis.

Future outlook

The Directors intend that the Company continue to act as a holding company for the foreseeable future.

Key Performance Indicators ("KPIs")

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Results and Dividends

The Company's loss for the year amounted to £69,275,000 (2008: £33,060,000 profit) and will be transferred to reserves.

Directors' Report for the year ended 31 December 2009 (continued)

Directors

The following served as Directors during the year and up to the date of signing this report:

MJ Wagstaff	(resigned 2 October 2009)
PA Turner	(resigned 2 October 2009)
RM Begbie	(resigned 2 October 2009)
JL Roger	(appointed 14 May 2009)
IG Dawson	(appointed 27 August 2009)
VM Hanafin	(appointed 27 August 2009)
NL Luff	(appointed 27 August 2009)
GD Sword	(resigned 30 March 2009)
JD Murphy	(resigned 14 May 2009)
T Blades	(resigned 27 August 2009)
ACP Carr-Locke	(resigned 27 August 2009)
T Ehret	(resigned 27 August 2009)
AM Jones	(resigned 27 August 2009)
LW Kinch	(resigned 27 August 2009)
JC Morgan	(resigned 27 August 2009)
MP Nicholls	(resigned 27 August 2009)
RE Turner	(resigned 27 August 2009)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Directors' Report for the year ended 31 December 2009 (continued)

Employees and Employment Practices

The Company acknowledges the importance of its workforce and its aim is to attract, retain and motivate high calibre employees.

The Company remains committed to improving the skills, knowledge and competence of all employees and appropriate training is provided in a number of areas. The development needs of all employees are reviewed as part of the annual appraisal process and development activity is a key part of this process.

Employees and Employment Practices (continued)

The Company gives full and sympathetic consideration to the employment, training, career development and promotion of disabled employees. As far as employees who become disabled during their employment are concerned each case is judged on its own specific circumstances.

The Company is opposed to all forms of discrimination and offers equal access to employment, promotion and development regardless of gender, race, ethnic origin, religion, sexual orientation, age and disability.

Creditor Payment Policy

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

At 31 December 2009, the Company had an average of 39 days (2008: 39 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 audit information and to establish that the Company's auditors are aware of that information.

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLC will therefore continue in office.

This report was approved by the Board on 25 June 2010

Jonathan Roger
Director

Company registered in Scotland No. SC169182

Registered office:
Kings Close
62 Huntly Street
Aberdeen
AB10 1RS

Independent Auditors' Report to the Members of Venture Production plc

We have audited the financial statements of Venture Production plc for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss and cash flows for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Mark Higginson

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
25 June 2010

Income Statement for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Revenue		**51**	-
Cost of sales		**(114)**	(85)
Gross loss		**(63)**	(85)
Administrative expenses	2	**(41,993)**	(5,578)
(Loss)/gain on foreign exchange	2	**(6,062)**	1,670
Operating loss	2	**(48,118)**	(3,993)
Finance income	3	**19,493**	12,442
Finance expense	3	**(80,312)**	(49,435)
Change in fair value of derivative financial instruments	13	**5,753**	(6,252)
Dividends received		**37,001**	67,112
(Loss)/profit before taxation		**(66,183)**	19,874
Taxation (charge)/credit	4	**(3,092)**	13,186
(Loss)/profit for the year	16	**(69,275)**	33,060

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

Statement of comprehensive income

	2009 £'000	2008 £'000
(Loss)/Profit for the year	**(69,275)**	33,060
Other comprehensive income	**(263)**	-
Total comprehensive income	**(69,538)**	33,060

Statement of Changes in Equity for the year ended 31 December 2009

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings/ (deficit) £'000	Total Equity £'000
Balance at 1 January 2009	599	136,242	128,093	41,753	**306,687**
Loss for the period	-	-	-	(69,275)	**(69,275)**
Other comprehensive income	-	-	-	(263)	**(263)**
Total comprehensive income for the period ended 31 December 2009	-	-	-	(69,538)	**(69,538)**
Employees share schemes	-	-	10,456	-	**10,456**
Dividends relating to 2008 paid in May 2009	-	-	-	(19,216)	**(19,216)**
Convertible bond – equity component	-	-	(14,463)	9,926	**(4,537)**
	-	-	(4,007)	(9,290)	**(13,297)**
Balance at 31 December 2009	599	136,242	124,086	(37,075)	**223,852**

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2008	573	107,207	139,146	25,894	**272,820**
Profit for the period	-	-	-	33,060	**33,060**
Total comprehensive income for the period ended 31 December 2008	-	-	-	33,060	**33,060**
Employees share schemes	-	61	(11,053)	-	**(10,992)**
Convertible bond – equity component	26	28,974	-	-	**29,000**
Dividends paid	-	-	-	(17,201)	**(17,201)**
	26	29,035	(11,053)	(17,201)	**807**
Balance at 31 December 2008	599	136,242	128,093	41,753	**306,687**

Balance Sheet
As at 31 December 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	**259**	372
Investments in subsidiaries	7	**518,600**	530,717
Deferred tax assets	12	**3,684**	6,941
Amounts due from subsidiary undertakings	8	**-**	48,397
		522,543	586,427
Current assets			
Trade and other receivables	8	**141,343**	5,038
Cash and cash equivalents	9	**6,205**	207,969
		147,548	213,007
Liabilities			
Current liabilities			
Trade and other payables	10	**(446,239)**	(9,273)
Derivative financial instruments	13	**-**	(5,753)
Financial liabilities – bank overdraft	11	**-**	(21,276)
		(446,239)	(36,302)
Net current (liabilities)/assets		**(298,691)**	176,705
Non-current liabilities			
Financial liabilities – borrowings	11	**-**	(456,445)
		-	(456,445)
Net assets		**223,852**	306,687
Shareholders' equity			
Called up share capital	14	**599**	599
Share premium	15	**136,242**	136,242
Other reserves	17	**124,086**	128,093
Retained (deficit)/earnings	16	**(37,075)**	41,753
Total shareholders' equity		**223,852**	306,687

The financial statements on pages 7 to 26 were approved and authorised for issue by the Board of Directors on 25 June 2010 and were signed on its behalf by:

Jonathan Roger

Jonathan Roger
Director

Registered number SC169182

Cash Flow Statement
For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Operating cash outflow	18	**(9,428)**	(17,160)
Interest received		**248**	1,980
Interest paid		**(24,844)**	(20,813)
Net cash used in operating activities		**(34,024)**	(35,993)
Cash flows from investing activities			
Investments in subsidiaries		**-**	(150,000)
(Loans to)/repayments of loans by subsidiaries		**(36,864)**	228,391
Net cash (used in)/generated from investing activities		**(36,864)**	78,391
Cash flows from financing activities			
Shares acquired by Employee Benefit Trust		**(4,000)**	(6,000)
Repayments of borrowings to parent entity		**(68,674)**	-
Dividends paid to shareholders		**(19,216)**	(17,201)
Proceeds from exercise of share options		**-**	61
Net cash used in financing activities		**(91,890)**	(23,140)
Net (decrease)/increase in cash and cash equivalents		**(162,778)**	19,258
Opening cash and cash equivalents	**9**	**186,693**	104,134
Effect of foreign exchange rate changes		**(17,710)**	63,301
Closing cash and cash equivalents		**6,205**	186,693

Notes to the Financial Statements

1. Accounting Policies for the year ended 31 December 2009

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 2006, applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments). 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 year.

The Directors believe that the going concern basis is applicable for the preparation of the accounts as the ultimate parent company, Centrica plc, has confirmed its present intention to provide financial support such that the Company is able to repay is liabilities as they fall due. In particular the amounts owed to Group undertakings will not be required to be repaid for the foreseeable future.

Critical Estimates and Judgements

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.

The main judgements made by the Company included the forecasts and assumptions used in tax provisioning and deferred tax asset recognition. These are described in more detail in the relevant accounting policy.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue consists primarily of interest from other group companies.

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 entity operates (the functional currency). The Company's financial statements are presented in pounds sterling which is the Company's functional and presentational currency.

(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. Foreign currency gains and losses resulting from the translation of monetary balances that relate to trading are included within the operating profit. Foreign currency gains and losses resulting from the translation of monetary balances that relate to the Group's financing are included within finance expense.

1. Accounting Policies for the year ended 31 December 2009 (continued)

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 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.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Office equipment	25%
Buildings	5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Investments

Investments are held at cost less accumulated impairment losses. Impairment is assessed on an annual basis.

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 and other short term liquid investments which can be withdrawn at any time.

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.

1. Accounting Policies for the year ended 31 December 2009 (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible Bonds

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity. The remainder of the proceeds of the convertible bond represents the value of the equity conversion option and this component of the bond is recognised in shareholders' equity.

Derivative Financial Instruments and Hedging

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates derivatives as hedges of highly probable forecast transactions (cash flow hedge).

Taxation

The corporation 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.

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 substantively 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.

Operating Leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis.

1. Accounting Policies for the year ended 31 December 2009 (continued)

Share-Based Payments

The Company previously had various share-based payment schemes for its employees and Directors.

The fair value of share-based awards was determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Company's estimate of the number of awards that will eventually vest as a result of key performance measures, is expensed uniformly over the vesting period. The corresponding credit is taken to the employee benefit reserve. The proceeds on exercise of share options are credited to share capital and share premium.

The fair values are calculated using a binomial option pricing model with suitable modifications to allow for employee turnover after vesting and early exercise. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, risk free rate of interest and patterns of early exercise of the plan participants.

Disclosure of Impact of New and Future Accounting Standards

The Company has not yet adopted any standards, amendments and interpretations which are only effective for periods commencing on or after 1 January 2010.

2. Operating Loss

The following items have been charged in arriving at operating loss:

	2009 **£'000**	2008 £'000
Depreciation (Note 6)	**113**	85
Foreign currency loss/(gain)	**6,062**	(1,670)
Impairment of loan to Hummingbird Oil Pte Ltd	**9,058**	-
Impairment of investment in Venture Investment Holdings Limited (Note 7)	**12,117**	-

The foreign currency loss within operating profit relates to the translation, at the closing rate, of monetary balance that relates to trading.

Impairment amounts above were recorded as a result of management assessment that the carrying values of the loan to Hummingbird Oil Pte Ltd and investment in Venture Investment Holdings Limited are not recoverable in full.

Services Provided by the Company's Auditor and Network Firms

During the year the Company obtained the following services from the Company's auditor at costs detailed below:

	2009 **£'000**	2008 £'000
Audit services:		
- fees payable to the Company auditor for the audit of Parent Company and subsidiary accounts	**10**	8

3. Finance Income and Expense

Finance Income	2009 £'000	2008 £'000
Bank interest	**248**	4,032
Foreign exchange gain on net foreign currency liabilities/ assets	**16,459**	-
Interest receivable from Group undertaking	**2,786**	8,410
	19,493	12,442

Finance Expense	2009 £'000	2008 £'000
Interest payable on loans	**67,307**	21,892
Interest payable and unwinding of discount on convertible bonds	**6,798**	4,485
Amortisation of loan facility expenses	**3,689**	1,682
Other interest	**-**	1,146
Foreign exchange loss on net foreign currency liabilities/assets	**-**	20,230
Interest payable to Group undertaking	**2,518**	-
	80,312	49,435

4. Income Tax Expense

Analysis of credit for the year	2009 £'000	2008 £'000
Current tax – current year	**-**	(5,071)
Current tax – adjustments in respect of prior years	**(165)**	885
Deferred tax – relating to origination and reversal of timing differences	**1,615**	(9,881)
Deferred tax – adjustments in respect of prior years	**1,642**	881
Tax credit for the year	**3,092**	(13,186)

The tax rate for the period is higher (2008: higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009 £'000	2008 £'000
(Loss)/Profit on ordinary activities before tax	**(66,183)**	19,874
Tax @ 28% (28.5%)	**(18,531)**	5,664
Effects of:		
Adjustments to tax in respect of prior periods	**1,477**	1,766
Expenses not deductible/(income) not taxable for tax purposes	**(2,905)**	(17,423)
Depreciation on items subject to initial recognition exemption	**1**	1
Effects of changes in tax rates		
Group relief not paid for	**23,050**	-
Changes in recognition exemption		(3,194)
Total taxation	**3,092**	(13,186)

5. Dividends

During the year, the Company paid an ordinary dividend of £0.13 per share, amounting to £19,216,000. The dividend was approved at the Company's AGM on 14 May 2009.

In 2008, the Company paid an ordinary dividend of £0.12 per share, amounting to £17,201,000. This was approved at the Company's AGM on 14 May 2008.

6. Property, Plant and Equipment

	Buildings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2009	373	2,310	2,683
At 31 December 2009	**373**	**2,310**	**2,683**
Depreciation			
At 1 January 2009	117	2,194	2,311
Charge for the year	19	94	113
At 31 December 2009	**136**	**2,288**	**2,424**
Net book amount at 31 December 2009	**237**	**22**	**259**

Company	Buildings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2008	373	2,310	2,683
At 31 December 2008	**373**	**2,310**	**2,683**
Depreciation			
At 1 January 2008	99	2,127	2,226
Charge for the year	18	67	85
At 31 December 2008	**117**	**2,194**	**2,311**
Net book amount at 31 December 2008	**256**	**116**	**372**

7. Investments

Subsidiaries	**2009 £'000**	2008 £'000
At 1 January	**530,717**	427,269
Dissolution of subsidiary	-	(46,552)
Additional investment in subsidiaries	-	150,000
Impairment of Investments	**(12,117)**	-
At 31 December	**518,600**	530,717

During 2009, Venture Investment Holdings Limited, a subsidiary undertaking was impaired by £13,203,000 which resulted in an impairment in the Company of £12,117,000.

The Company's principal subsidiaries at 31 December 2009 were as follows:

Name	**Nature of business**	**Country of registration/ incorporation**	**Percentage of nominal share capital & voting rights**
Venture North Sea Oil Limited	Oil and natural gas production	Scotland	100
Venture North Sea Gas Limited	Oil and natural gas production	Scotland	100
Venture Production (Services) Limited	Employee services	Scotland	100
Venture Production Trustees Limited	Investment Company	Scotland	100
Venture Infrastructure Limited	Holding Company	Scotland	100
Venture Investment Holdings Limited	Holding Company	Scotland	100
Hummingbird Oil Pte Limited	Holding Company	Singapore	100

All subsidiary undertakings are consolidated in the Centrica Group financial statements. In the financial statements of the Company, shares in subsidiary undertakings are stated at cost.

8. Trade and Other Receivables

The fair value of trade and other receivables are as follows:

	2009 £'000	2008 £'000
Other debtors and accrued income	**304**	5,038
Amounts due from subsidiary undertakings	**141,039**	-
	141,343	5,038

Falling due after one year:

	2009 £'000	2008 £'000
Amounts due from subsidiary undertakings	-	48,397
	-	48,397

Interest at a rate of base plus 1.5% from September onwards, previously 1%, is generated on amounts due from subsidiary undertakings.

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

	2009 £'000	2008 £'000
USD	**24,434**	2,052
GBP	**116,909**	2,986
Total trade and other receivables	**141,343**	5,038

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

	2009 £'000	2008 £'000
Cash in hand and at bank	**6,205**	-
Short term deposits	-	24,704
Liquidity funds	-	183,265
	6,205	207,969

For the purposes of the cash flow statements, cash and cash equivalents comprise the following at 31 December:

	2009 £'000	2008 £'000
Cash in hand and at bank/(bank overdraft)	**6,205**	(21,276)
Short term deposits	-	24,704
Liquidity funds	-	183,265
	6,205	186,693

10. Trade and Other Payables

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade payables	**31**	-
Amounts due to parent undertaking	**442,660**	-
Accruals and deferred income	-	174
Other payables	**3,548**	9,099
	446,239	9,273

11. Financial Liabilities - Borrowings

	2009 £'000	2008 £'000
Non-current		
Convertible bond	-	142,511
USD and GBP loan notes	-	313,934
	-	456,445
Current		
Bank overdraft	-	21,276
	-	21,276
Total borrowings	-	477,721

During 2009, Centrica plc acquired the entire share capital of the Company and therefore gained control over the Company and its subsidiary undertakings. This resulted in the repayment of the Company's borrowings as above, which have been replaced by an intercompany loan with Centrica plc.

Borrowing Facilities

During 2009, the Company replaced its borrowing facility with a revolving credit facility with Centrica plc.

The main purpose of the facilities was to finance the acquisition of new assets and the development of new and existing assets.

11. Financial Liabilities – Borrowings (continued)

Convertible Bonds

Following the acquisition of the Comapny by Centrica plc, the convertible bonds were redeemed on 4 September 2009.

The Company issued £151,000,000 3.25% convertible bonds at a nominal value of £151,000,000 on 16 August 2007. The bonds were due to mature on 16 August 2010 at par and could be converted into shares at the rate of one share per 915 pence. The equity component of the bond of £14,463,000 had been reclassified to equity.

During 2008, £29,000,000 4.25% convertible bonds matured and were fully converted into shares.

The convertible bond recognised in the balance sheet is calculated as follows:

	2009 £'000	2008 £'000
At 1 January	**142,511**	167,612
Accrued redemption premium	**(3,439)**	(1,334)
Unwinding of discount on liability component	**6,798**	4,486
Convertible loan expenses	**556**	747
Conversion of convertible loan	-	(29,000)
Redemption of convertible loan	**(146,426)**	-
Liability component at 31 December	-	142,511

USD and GBP Loan Notes

On 29 August 2007, Venture issued $414,000,000 of 6.41%, $10,000,000 of 6.64% and £25,000,000 of 6.71% secured loan notes through a private placing with UK and US institutional investors. These notes had maturities of between 10 and 15 years and were at fixed rates. Following the acquisition of the Company by Centrica plc, the loan notes were repaid during September 2009.

		2009 £'000	2008 £'000
USD	$414,000,000 6.41% notes with a final maturity of 29 August 2017	-	286,307
USD	$10,000,000 6.64% notes with a final maturity of 29 August 2022	-	6,916
GBP	£25,000,000 6.71% notes with a final maturity of 29 August 2017	-	25,000
Loan notes expenses		-	(4,264)
Total USD and GBP loan notes		-	313,934

Breakdown of total borrowings by currency	**2009 £'000**	2008 £'000
GBP	-	184,498
USD	-	293,223
	-	477,721

12. Deferred Tax Asset

	2009	2008
	£'000	£'000
Opening balance	**(6,941)**	(1,019)
Profit and loss (charge)/credit (Note 4)	**3,257**	(9,000)
Taken to equity:		
- employee share benefits	**-**	3,078
At 31 December	**(3,684)**	(6,941)

The total deferred tax asset at 31 December 2009 comprised tax losses of £3,577,000 (2008: £5,364,000) and other deferred tax assets of £109,000 (2008: £1,577.000). The deferred tax asset has been recognised as the Company is expected to have sufficient taxable profits in future years against which the assets can be relieved.

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. Financial Instruments

The main risk arising from the Company's financial instruments is liquidity risk. The Board reviews and agrees policies for managing liquidity risk which are detailed below.

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. Centrica plc manages its liquidity risk on a consolidated basis based on business needs and through numerous sources of finance in order to maintain flexibility.

Fair Value of Non-Derivative Financial Assets and Financial Liabilities

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

	Positive fair values		**Negative fair values**	
Company	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Currency related instruments				
Forward foreign exchange rate contracts	**-**	-	**-**	(5,753)
Total derivative financial instruments	**-**	-	**-**	(5,753)

Derivative financial instruments include amounts denominated in the following major currencies:

Currency	**2009 £'000**	2008 £'000
GBP	**-**	(5,753)
Total derivative financial instruments	**-**	(5,753)
Included in current liabilities	**-**	(5,753)
Total derivative financial instruments	**-**	(5,753)

13. Financial Instruments (continued)

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 2009 and 2008. The amounts disclosed in the table are the contractual undiscounted cash flows including interest payments at the applicable fixed rate. Non-GBP denominated balances have been translated at the year end closing rates.

Derivatives for foreign exchange are not hedge accounted and are marked to market through the income statement.

Forward Foreign Currency Contracts

The notional principal amount of the Company's outstanding forward foreign currency contracts at 31 December 2009 was nil (2008: $30,000,000). These contracts hedged foreign exchange exposure of forecast net US dollar income by fixing the forward exchange rate on a monthly basis.

At 31 December 2008, the forward contracts covered the period January 2009 to March 2009 at an exchange rate varying between $1.9575 and $2.0025 to £1.

The fair value liability for forward foreign currency contracts at 31 December 2008 was £5,753,000.

Changes in the fair value of derivative financial instruments that do not qualify for, or are not designated in hedging relationships, are recognised immediately in the current period income statement when they occur as shown below:

	2009 £'000	2008 £'000
Loss in the income statement	**5,753**	(6,253)

Company	**Book value 2009 £'000**	**Fair value 2009 £'000**	Book value 2008 £'000	Fair value 2008 £'000
Fair value of non-current financial assets and financial liabilities held or issued to finance the Company's operations:				
Convertible bonds (Note 11)	-	-	(142,511)	(134,222)
USD and GBP loan notes (Note 11)	-	-	(313,934)	(287,941)
Trade and other receivables (Note 8)	-	-	48,397	48,397
Fair value of other financial assets and financial liabilities held or issued to finance the Company's operations:				
Trade and other payables (Note 10)	**(446,239)**	**(446,239)**	(9,273)	(9,273)
Trade and other receivables (Note 8)	**141,343**	**141,343**	5,038	5,038
Bank overdraft (Note 9)	-	-	(21,276)	(21,276)
Cash on short term deposit (Note 9)	**6,205**	**6,205**	24,704	24,704
Liquidity funds (Note 9)	-	-	183,265	183,265

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 2009 and 2008. The amounts disclosed in the table are the contractual undiscounted cash flows including interest payments at the applicable fixed rate. Non-GBP denominated balances have been translated at the year end closing rates.

13. Financial Instruments (continued)

As at 31 December 2009:	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	(446,239)	-	-	-	(446,239)
Bank overdraft	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Total current liabilities	**(446,239)**	**-**	**-**	**-**	**(446,239)**
Non-current liabilities					
Convertible bond	-	-	-	-	-
USD and GBP loan notes	-	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**(446,239)**	**-**	**-**	**-**	**(446,239)**

As at 31 December 2008:	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	(9,273)	-	-	-	(9,273)
Bank overdraft	(21,276)	-	-	-	(21,276)
Derivative financial instruments	(5,753)	-	-	-	(5,753)
Total current liabilities	**(36,302)**	**-**	**-**	**-**	**(36,302)**
Non-current liabilities					
Convertible bond	(4,908)	(155,908)	-	-	(160,816)
USD and GBP loan notes	(20,489)	(20,489)	(61,467)	(381,526)	(483,971)
Total non-current liabilities	**(25,397)**	**(176,397)**	**(61,467)**	**(381,526)**	**(644,787)**
Total financial liabilities	**(61,699)**	**(176,397)**	**(61,467)**	**(381,526)**	**(681,089)**

The table below analyses the Company's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2009:	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Forward foreign exchange contracts – marked to market				
Outflow	-	-	-	-
Inflow	-	-	-	-
As at 31 December 2008:				
Forward foreign exchange contracts – marked to market				
Outflow	(22,613)	-	-	-
Inflow	16,860	-	-	-

14. Called Up Share Capital

Number	**2009 '000**	2008 '000
Authorised:		
Ordinary shares of 0.004p each	**225,000**	225,000
Allotted, called up and fully paid:		
Ordinary shares of 0.004p each	**149,770**	149,770

Value	**2009 £'000**	2008 £'000
Authorised:		
Ordinary shares of 0.004p each	**900**	900
Allotted, called up and fully paid:		
Ordinary shares of 0.004p each	**599**	599

15. Share Premium Account

	£'000
At 1 January 2008	107,207
On exercise of share options	61
On conversion of convertible bonds	28,974
At 1 January 2009	**136,242**
At 31 December 2009	**136,242**

16. Retained Earnings/(Deficit)

	£'000
At 1 January 2008	25,894
Profit for the year	33,060
Dividends paid	(17,201)
At 1 January 2009	**41,753**
Redemption of convertible loan	9,926
Other comprehensive income	(263)
Loss for the year	(69,275)
Dividend paid	(19,216)
At 31 December 2009	**(37,075)**

17. Other Reserves

Company	Convertible loan equity £'000	Merger reserve £'000	EBT reserve £'000	Total £'000
At 1 January 2009	14,463	124,086	(10,456)	128,093
Shares acquired by EBT	-	-	(4,000)	(4,000)
Shares issued to satisfy share schemes	-	-	14,456	14,456
Redemption of convertible loan	(14,463)	-	-	(14,463)
At 31 December 2009	**-**	**124,086**	**-**	**124,086**

18. Cash Flow from Operating Activities

Company	**2009 £'000**	2008 £'000
Operating loss	**(48,118)**	(3,996)
Depreciation charge	**113**	85
Imp of investments	**12,117**	-
Changes in working capital:		
- Trade and other receivables	**4,734**	(2,640)
- Trade and other payables	**21,726**	(10,609)
Operating cash outflow	**(9,428)**	(17,160)

18. Cash Flow from Operating Activities (continued)

Analysis of net debt	At 1 January 2009 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movements £'000	**At 31 December 2009 £'000**
Cash and cash equivalents	186,693	(162,778)	-	(17,710)	**6,205**
Long term borrowings	(456,445)	-	456,445	-	**-**
Net debt	(269,752)	(162,778)	456,445	(17,710)	**6,205**

19. Employees and Directors

All employees are held with Venture Production (Services) Limited.

20. Operating Lease Commitments – Minimum Lease Payments

The Company has commitments under operating leases to make payments as set out below:

	2009 £'000	2008 £'000
Land and buildings		
Within 1 year	**947**	549
Within 2 to 5 years	**2,899**	2,059
In more than 5 years	**3,088**	3,603

21. Related Party Transactions

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

Sales/purchases from related party		Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Centrica plc	2009	-	-	(442,660)
	2008	-	-	-
Venture Production (Services) Limited	2009	(9,204)	834,875	-
	2008	-	226,642	-
Venture North Sea Oil Limited	2009	(13,294)	-	(380,925)
	2008	-	-	(45,367)
Venture North Sea Gas Limited	2009	-	-	(379,469)
	2008	-	-	(149,775)
Venture Production (GMA) Limited	2009	-	-	2,380
	2008	-	-	2,761
Venture North Sea Gas Exploration Limited	2009	-	-	(30,919)
	2008	-	-	(30,166)
Venture Investment Holdings Limited	2009	-	-	(23,370)
	2008	-	-	(22,738)
Venture Production Trustees Limited	2009	-	2	-
	2008	-	2	-
Hummingbird Oil Pte Limited	2009	-	50	-
	2008	-	27,311	-
NSGP (Amanda Agatha) Limited	2009	-	30,309	-
	2008	-	29,728	-
NSGP (Ensign) Limited	2009	-	65,509	-
	2008	-	64,254	-
Venture F3 B.V. (Netherlands)	2009	-	31	-
	2008	-	12,039	-
Venture F3 Developments Limited	2009	-	-	(1,250)
	2008	-	-	(1,226)
Venture Production (DMF) Limited	2009	-	-	(11,363)
	2008	-	-	(11,172)
Venture Production Nederland B.V.	2009	-	28,110	-
	2008	-	-	(2,959)
Venture Infrastructure B.V.	2009	-	38,937	-
	2008	-	-	-
Venture Infrastructure Limited	2009	-	5,473	-
	2008	-	5,371	-
CH4 Energy Limited	2009	-	2,511	-
	2008	-	2,470	-
CH4 Holdings Limited	2009	-	-	(2,726)
	2008	-	-	(2,681)

During the year the Company incurred charges of £2,518,000 (2008: nil) from its parent undertaking in respect of loan interest. Interest income £2,786,000 (2008: £8,410,000)

21. Related Party Transactions (continued)

Related Party:

All related parties are wholly owned subsidiaries of Centrica plc.

22. Post balance sheet events

The Company has taken advantage of the provisions of the Companies Act 2006 (the 'Act') to abolish the requirement to have an authorised share capital. A Special Resolution was passed by the Company's sole member on 4 May 2010 to delete all provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Act, were treated as provisions of the Company's Articles of Association and then by adopting new Articles of Association.

On 2 June 2010 the Company was re-registered as a private limited company under section 97 of the Companies Act 2006. On the same date, the Company changed its name to Venture Production Limited.

23. Ultimate Parent Company

Effective from 27 August 2009, the Company's immediate parent undertaking is Centrica Resources (UK) Limited, a company registered in England and Wales.

On 27 August 2009, when Centrica plc acquired the controlling interest in Venture Production Limited (formerly known as Venture Production plc), Centrica plc became the Company's ultimate parent undertaking and controlling party. Centrica plc, a company registered in England and Wales, is the parent company of the smallest and largest group to consolidate their financial statements. Copies of Centrica plc consolidated financial statements can be obtained from www.centrica.com.