COMPANY NUMBER:
04330608

Global Energy Development PLC
Annual Report and Accounts 2008

Identifying and Realising Potential

Global Energy Development PLC is a petroleum exploration and production company focused on Latin America, an area in which the management team has decades of operating experience and in which they have pursued a long-term strategy of finding and developing reserves.

The Company held as at 20 April 2009 seven contracts in the countries of Colombia, Peru and Panama.

The Company's balanced portfolio of contracts comprises a base of production, development drilling and workover opportunities and several high-potential exploration projects.

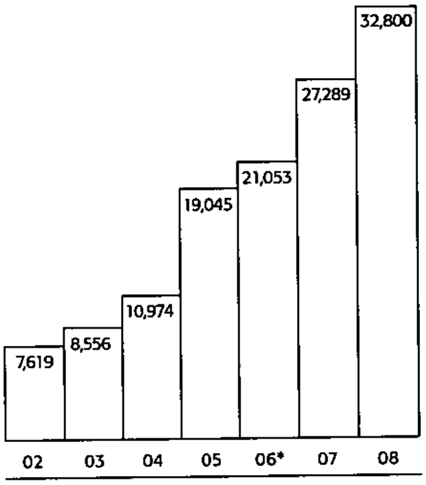
The Company intends to continue increasing the asset value of its portfolio focused in Latin America by utilising the cash flow from current production to advance certain projects whilst looking for partners for other projects which should allow their value to be realised more quickly.

The Company's ordinary shares have been traded on AIM, a market operated by the London Stock Exchange, since March 2002 (LSE-AIM: "GED").

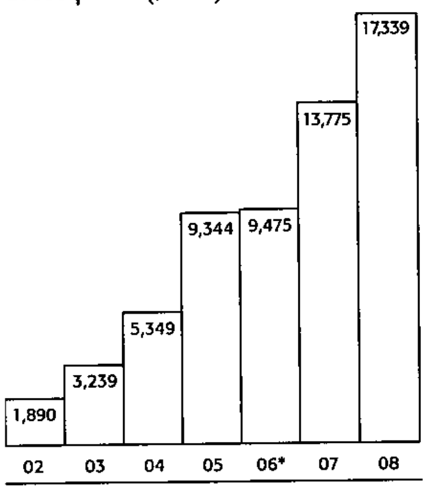
Highlights 2008

Financial History since admission to AIM

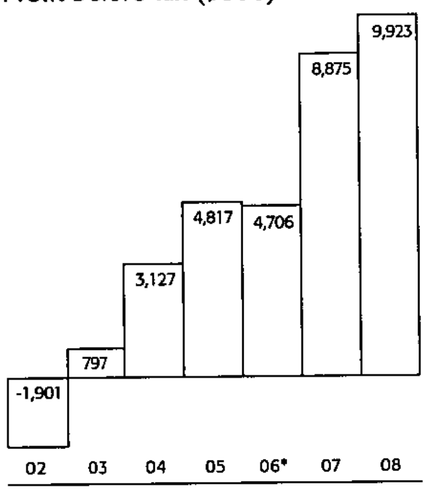
Turnover ($000)



Gross profit ($000)

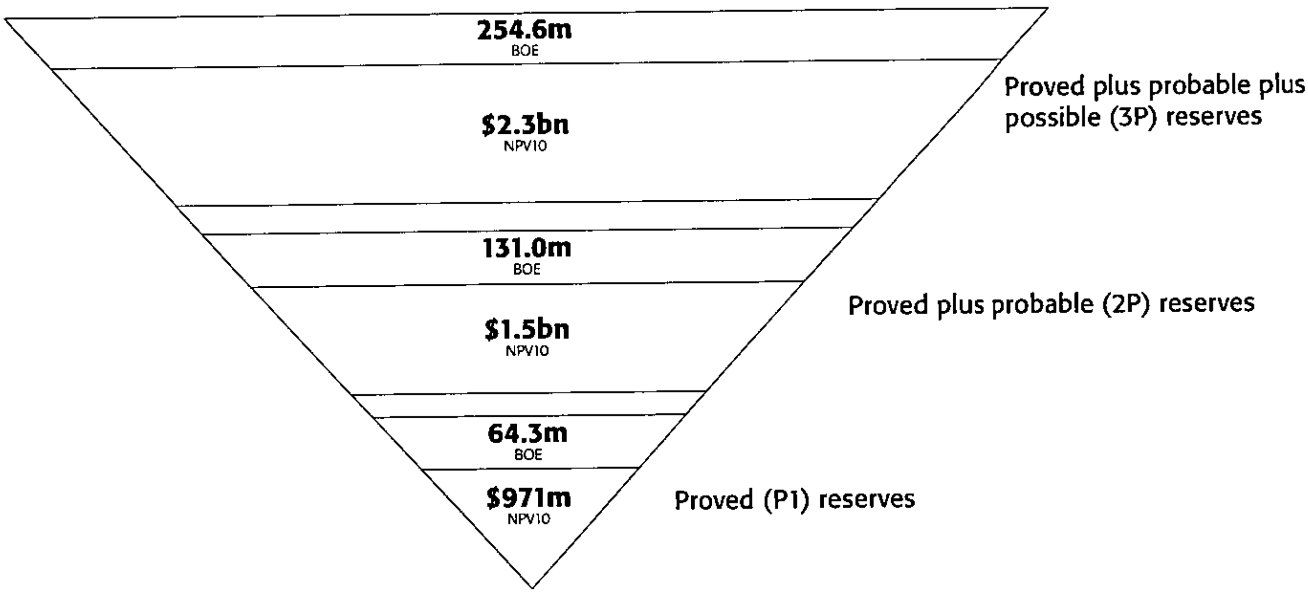


Profit before tax ($000)



* 2006 financial results restated due to International Financial Report Standards ("IFRS").

2008 Reserve Report (prepared by Ralph E. Davis Associates, Inc.)



Gross production of 504,636 barrels in 2008 (438,007 barrels net to the Company)

BOE = Barrels of oil equivalent
NPV10 = Net present value at 10% discount

Global Energy Development PLC at a glance

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The Company's balanced portfolio covers the countries of Colombia, Peru and Panama.

The Company has been active in Latin America for many years and throughout this time has pursued what it refers to as its "footprint strategy". The Company identifies acreage held by international oil companies over the previous decades and then evaluates it using the strong historical data available, in-house expertise, specialised Latin American technical consultants and the new technologies available.

Utilising this strategy, the Company has signed contracts in Colombia, Peru and Panama which offer considerable value for the Company but when held many years ago by the international oil companies may have been thought uneconomical due to extremely low oil prices and/or poor infrastructure in and around the contract areas.

Colombia

Bolivar Association Contract

Signed: 1996 with Ecopetrol
Expiry date: 12.07.2024
Acreage: Approx 21,000
Initial royalty: 20%
Status: Production and development
2P Reserves: 40.4 million BOE
3P Reserves: 51.7 million BOE

Contains a fractured reservoir development project with a significant continuous oil column. Substantial associated and non-associated gas potential. Local transport and logistical infrastructure considered excellent.

Bocachico Association Contract

Signed: 1994 with Ecopetrol
Expiry date: 07.03.2022
Acreage: Approx 54,700
Initial royalty: 20%
Status: Production and development
2P Reserves: 58.9 million BOE
3P Reserves: 118.0 million BOE

Large scale heavy oil development opportunity in the central portion of the Torcaz field. Adjacent to Medio Magdalena pipeline and other readily available transport and logistical infrastructure.

Rio Verde Concession Contract

Signed: 2004 with ANH
Expiry date: 14.05.2034
Acreage: Approx 75,000
Initial royalty: 10.5%
Status: Production, development and exploration
2P Reserves: 6.1 million BOE
3P Reserves: 11.4 million BOE

Site of recent discoveries by the Company. Plans to commence acquisition of mostly 3D seismic during 2009 and then drill in 2010.

Alcaravan Association Contract

Signed: 1993 with Ecopetrol
Expiry date: 13.02.2021
Acreage: Approx 24,000
Initial royalty: 20%
Status: Production and development
2P Reserves: 4.3 million BOE
3P Reserves: 8.5 million BOE

Contains the Palo Blanco and Anteojos fields. Potential for additional exploration to the west of the Palo Blanco field.

Los Hatos Concession Contract

Signed: 2004 with ANH
Expiry date: 04.06.2034
Acreage: Approx 295
Initial royalty: 8%
Status: Production and development
2P Reserves: 0.3 million BOE
3P Reserves: 0.3 million BOE

Contains the Los Hatos 1 well, producing the highest quality oil of all the Company's wells and is also the lowest cost producing well operated by the Company.

Note: All Reserves given are as at 31 December 2008 per the 2008 Reserve Report prepared independently by Ralph E. Davis Associates, Inc.

Country industry overviews

Colombia

In 2003, Colombia's hydrocarbons sector was restructured with the National Hydrocarbons Agency ("ANH") being created and assuming the administrative and regulatory role previously held by Ecopetrol S.A. ("Ecopetrol"). At the same time a new contract model called Concession contract replaced the old Association contract featuring more attractive terms for investors.

Peru

Perupetro S.A. ("Perupetro") is Peru's state company responsible for promoting the investment of hydrocarbon activities in the country. In 2003, the government approved amendments to the Licence contract whereby, among other initiatives, royalties were lowered to increase investment into the hydrocarbons sector.

Panama

In 2005, the Panamanian government announced a renewed policy on hydrocarbons and alternate energy sources and its desire to promote hydrocarbons development in the country. The hydrocarbons sector is administered by The Ministry of Commerce and Industry for the Republic of Panama (the "Ministry").

Peru

Block 95 Area Licence Contract

Signed: 2005 with Perupetro
Expiry date: 07.06.2035
Acreage: Approx 1,275,000
Initial royalty: 5%
Status: Exploration
2P Reserves: 21.0 million BOE
3P Reserves: 64.7 million BOE

Planning to acquire 2D seismic in the Bretaña field area with development drilling planned afterwards.

Panama

Garachine Block Contract

Signed: 2007 with the Ministry
Expiry date: 26.06.2042
Acreage: Approx 691,500
Initial royalty: 20%
Status: Exploration
2P Reserves: nil
3P Reserves: nil

Attractive exploration opportunity based on carbonate reefs. Substantial prior data accumulated by major oil companies.

Note: All Reserves given are as at 31 December 2008 per the 2008 Reserve Report prepared independently by Ralph E. Davis Associates, Inc.

Executive Chairman's statement

2008 saw the Company report record annual financial results in terms of revenue, gross profit and profit before and after tax. This was primarily as a result of the oil price surge during the first half of the year and new production volumes being added during the second half due to drilling successes in the Colombian Rio Verde contract area.

It was unfortunate that these new production volumes coincided with the swift decline in the oil price during the second half of 2008, and the altered oil price environment has led the Company to be particularly focused on cash management and efforts to improve cash flow from operations.

The drilling successes in the Rio Verde contract area, and subsequent independent analysis of the area, has resulted in several significant prospects being identified and this contract will now take priority in the Company's near-term plans, with expenditure focused on the quick payout development opportunities existing there.

The Rio Verde contract was one constituent of the increase in the Company's reserves reported as at 31 December 2008. The values reported for each reserve category, even at a depressed year end oil price, highlight the pipeline of value able to be realised when cash resources are available.

The Company is currently undertaking a number of initiatives to apportion the cash flow generated from production to areas of the Company's portfolio that will provide quick benefits, and while any petroleum production company remains at the mercy of the oil price, the Company has taken necessary actions to ultimately prosper in an industry that remains integral.

Mikel Faulkner
Executive Chairman

20 April 2009

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2008 saw the Company report record annual financial results in terms of revenue, gross profit and profit before and after tax.

Vice Chairman's review of operations

Financials
Revenue for the year ended 31 December 2008 was US$32.8 million, 20.2% higher than the prior year (2007: $27.3 million) as a result of increased production and a higher average price for West Texas Intermediate ("WTI") crude oil. Gross production during 2008 was 504,636 barrels of oil ("bbls") (2007: 478,030 bbls), with production net to the Company of 438,007 bbls (2007: 413,775 bbls). Despite Lease Operating Expenses ("LOE") being higher primarily as a result of increased oil transportation costs and equipment rental due to drilling activity and new production, gross profit was US$17.3 million, an improvement of 25.9% against the prior year (2007: US$13.8 million). Operations and general and administrative expenses were slightly increased over the prior year at US$6.3 million (2007: US$5.8 million) due to an increased number of employees and consultants as a result of the drilling activity. The peak number of employees plus consultants in 2008 was 74 but in efforts to reduce costs in line with the decline in the oil price, the number of employees plus consultants now stands at 58. Operating profit for 2008 was, therefore, US$11.1 million (2007: US$9.9 million), profit before tax was US$9.9 million (2007: US$8.9 million) and net income was US$7.3 million (2007: US$7.0 million).

The Company's average operating cash netback per barrel, this being average sales less royalties and other operating costs and taxes, was US$35.31 against an average price for WTI crude oil invoiced by the Company of US$88.55 (2007: average operating cash netback per barrel US$30.44; average price for WTI invoiced US$72.48). The industry average price for WTI crude oil in 2008 was US$99.57, US$11.02 higher than the price invoiced by the Company due to the Company producing and selling approximately 59% of its 2008 net production in the second half of 2008 when oil prices were lower. The Company's average net wellhead price after oil transport and quality adjustments was US$75.90 (2007: US$66.18).

2008 Reserve Report
The independent petroleum engineers Ralph E. Davis reported that, as at 31 December 2008, proved reserves net to the Company totalled 64.3 million barrels of oil equivalent ("BOE") (as at 31 December 2007: 4.6 million BOE), proved plus probable ("2P") reserves net to the Company totalled 131.0 million BOE (as at 31 December 2007: 15.2 million BOE) and proved plus probable plus possible ("3P") reserves net to the Company totalled 254.6 million BOE (as at 31 December 2007: 64.9 million BOE).

The considerable increase in all the reserve categories has arisen predominately due to Ralph E. Davis re-evaluating all the historic data available on the Company's contract areas, rebasing the previously recorded reserves, adding in newly available data and then conforming exactly to the definitions of proved, probable and possible reserves approved by: Society of Petroleum Engineers ("SPE"); World Petroleum Council ("WPC"); American Association of Petroleum Geologists ("AAPG"); and Society of Petroleum Evaluation Engineers ("SPEE"). In addition, the Company had drilling successes during 2008, and lower forecasted future oil prices when compared to last year increased the time period until the Company's cost recovery and, therefore, the timing of Ecopetrol's back-in at two Colombian contracts. The most notable increases in reserves occurred within the Colombian Bocachico and Bolivar and Peruvian Block 95 contracts due to the volumetric effect of calculating reserves at the subsurface point of lowest known oil based on all available data and analysis.

The closing WTI crude oil price as at 31 December 2008, the date of the Reserve Report, was US$44.60 per barrel, an approximate 54% reduction against 2007 (2007: 31 December 2007: US$95.98). Based upon this starting price, the Net Present Value at a 10% discount ("NPV10") of the proved reserves was US$971 million (2007: US$214 million). The NPV10 of the 2P reserves totalled US$1.5 billion (2007: US$641 million) and the NPV10 of the 3P reserves totalled US$2.3 billion (2007: US$2.5 billion).

Overview of Contracts and Activities

Colombia
All the Company's contracts in Colombia, bar the Rio Verde contract, are in the exploitation phase and as such do not have any significant pending contractual commitments and, therefore, only a minimal obligatory spend.

The Rio Verde contract area has experienced growth in gross production from 600 barrels of oil per day ("bopd") to over 1,000 bopd during 2008 as a result of the drilling success of the Boral 1 and Tilodiran 3 wells. New additional pay zones were also opened in the lower Gacheta and upper Mirador formations with a total of five productive formations having now been tested in the Rio Verde area: the massive Ubaque; upper Ubaque; lower Gacheta; upper Gacheta; and Mirador formations. Importantly, the Boral 1 well demonstrated commercial hydrocarbon production in the new Boral prospect area to the east of the expanding Tilodiran field. Additional testing and wells are now being planned for both the Boral and Tilodiran field areas, with number and locations dependent on the interpretation of seismic which is planned to be acquired during 2009.

The Company recently accepted all the conditions of an amendment to the Rio Verde contract whereby Phases IV and V are collapsed into one phase ending May 2010, therefore, substituting the need to drill a well by May 2009. Under the revised confirmed terms, by May 2010 the Company must now acquire approximately US$4.0 million of mostly 3D seismic and drill an exploratory well.*

The Cajaro 1 and Estero 5 wells within the Alcaravan contract area were shut-in during February 2009 due to surface mechanical reasons. The depressed oil price and prevailing LOE made these two wells as well as the Estero 1 & 2 wells potentially uneconomical. Therefore, the Company petitioned and received permission to suspend these wells temporarily. These four wells will be re-evaluated in the event of higher oil prices and ongoing initiatives to reduce LOE. Before they were shut-in, these four wells contributed approximately 280 bopd gross together with 14,000 barrels of water per day.

There was no significant spend on the Bocachico and Bolivar contracts during 2008 and the Company is considering options to realise the reserves on these contracts, one of which is commercial partnering.

As stated above, LOE increased in 2008 but LOE has now been cut by approximately 22% from the average in the fourth quarter of 2008 and the further reduction of LOE is a high priority for the Company. Efforts are focused on three initiatives: the purchase of Colombian national grid power to replace site generated power which uses high-cost diesel fuel; the elimination of temporary field rental equipment; and reduction of trucking transport costs for oil sales by engaging oil purchasers in closer proximity to the Rio Verde contract area. These efforts are progressing well. In March 2009, for example, a contract was signed with Perenco as the primary buyer of the Company's oil due to it being a more convenient delivery location for the Rio Verde contract production, which now forms the bulk of the Company's daily production volumes.

The Company continues to have an outstanding receivable from Ecopetrol in relation to the Cajaro 1 well production

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The Rio Verde contract has experienced growth in gross production as a result of drilling successes.

dispute, currently amounting to US$4.5 million along with an impairment provision of US$2.4 million. The production dispute is ongoing and the Company continues to expect a protracted process to resolve it. The Company is now reviewing arbitration procedures and rules and continues to believe it will be successful in the technical arbitration.

Peru

In October 2008, the Company finally received approval from the Peruvian Ministry of Energy and Mines in relation to the Environmental Impact Study ("EIS") at the Block 95 contract area. Therefore, the Company now has approval for its seismic and drilling plans related to the Bretana field and other nearby areas. The current obligations under the contract require the Company to have contracted for a US$2.0 million seismic acquisition programme prior to the end of 2009. Contractors are being contacted and are expected to be available for the programme.

Panama

In Panama, the location of the Company's only pure exploration project, the Company complied with the initial Phase 1 work commitments of the Garachine contract, including the mapping of a number of seismically defined geologic features that appear to be reefal in nature.

The Company is currently planning the magnetic studies that are required under the extension sought by the Company and previously granted by the Directorate of Hydrocarbons. It is the Company's intention to conduct these studies to better understand the nature of the geologic structures in the contract area, especially in regard to distinguishing between buried non oil-bearing volcanoes and oil-bearing carbonate pinnacle reefs and buildups.

Conclusion

Although the oil industry has been challenging of late due to the oil price decline, almost all commentators point to an improving price. The immediate focus for the Company is improving gross profit margins by reducing LOE further and using the hoped for additional cash flow to expand the production base.

The Rio Verde contract will take precedence through 2009 with the Block 95 contract also building in terms of activity levels towards the end of the year. Several initiatives to realise the considerable reserve base will also be considered. With all these projects in the pipeline or already under way, the Company continues to make progress despite the current industry environment.

Stephen Voss
Vice Chairman

20 April 2009

* On the 12 May 2009 a resolution amending the Rio Verde contract was issued by ANH.

Oil and gas reserves information (unaudited)

As at 31 December 2008

The reserve estimates shown in this report were developed by Ralph E. Davis Associates, Inc., an independent petroleum engineering firm and, are based on the joint reserve and resource definitions of the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers. Proved and probable reserve estimates are based on a number of underlying assumptions including oil prices, future costs, oil in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

All reserves are in the Latin America exploration and development area:

Estimated net proved and probable reserves of crude oil

	Proved Latin America Barrels ('000s)	Probable Latin America Barrels ('000s)	Total All Barrels ('000s)
At 1 January 2008			
Developed	1,210	–	1,210
Undeveloped	2,774	9,254	12,028
	3,984	**9,254**	**13,238**
Changes in year attributable to:			
Revision of previous estimates	55,590	55,791	111,381
Production	(438)	–	(438)
Developed	3,529	–	3,529
Undeveloped	55,608	65,045	120,653
At 31 December 2008	**59,136**	**65,045**	**124,181**

Estimated net proved and probable reserves of natural gas

	Proved Latin America cu ft (millions)	Probable Latin America cu ft (millions)	Total All cu ft (millions)
At 1 January 2008			
Developed	–	–	–
Undeveloped	3,737	7,952	11,689
	3,737	**7,952**	**11689**
Changes in year attributable to:			
Revision of previous estimates	27,005	2,324	29,329
Production	–	–	–
Developed	23	–	23
Undeveloped	30,719	10,276	40,995
At 31 December 2008	**30,742**	**10,276**	**41,018**

Directors' biographies

Mikel Faulkner
Executive Chairman (59)
Mikel Faulkner holds a Bachelors degree in Mathematics and Physics and a Masters degree in Business Administration. His employment experience includes service as an officer in the United States Naval Nuclear Power Program, a member of the audit staff at Arthur Andersen & Co., a financial officer for American Quasar Petroleum, and at HKN, Inc. (formerly Harken Energy Corporation), where he served as chairman from 1991 to 2003 and has been the chief executive officer since 1982.

Stephen Voss
Vice Chairman (60)
Stephen Voss received a Masters degree in Business Administration from Harvard University in June 1976 and a Bachelors of Science degree in Petroleum Engineering from Texas A&M in May 1971. From 1972 to 1974, he was employed by Chevron Oil Company and Burmah Oil and Gas Company in Lafayette, Louisiana as a drilling engineer. From 1976 to 1981, he worked for Goldrus Drilling Company as executive vice president and chief operating officer and from 1981 to 1990 was chief executive officer of Reliant Drilling Company. Stephen has held various positions with Global Energy Development PLC and/or it predecessor companies since 1990, and currently serves as vice chairman and operations director. Stephen is a Member of SPE (Society of Petroleum Engineers) and is a Registered Professional Engineer in Texas.

Alan Henderson
Non-executive Director (75)
Alan Henderson is chairman of Forum Energy PLC, Aberdeen New Dawn Investment Trust PLC and Deputy Chairman of the charity RAFT. He is also non-executive director of Public Service Properties Investments Limited. He was previously Chairman of Aberdeen New Thai Investment Trust PLC and Ranger Oil (UK) Ltd and a director of ADT Ltd and Ranger Oil Ltd.

David Quint
Non-executive Director (58)
David Quint is a graduate of the University of Notre Dame from which he received a Bachelors degree in Modern Languages in 1972 and a Juris Doctorate in 1975. From 1975 until 1982, he was an attorney with Arter & Hadden in Cleveland, Ohio and Washington D.C. From 1983 until 1992, he served as the managing director of the London-based international financing arm of a US oil and gas company. In 1992, David founded RP&C International, Inc., an investment-banking firm with offices in London and New York. He currently serves as the chief executive officer of RP&C International, Inc. and of RP&C International Limited. He also serves as an executive director of USI Group Holdings AG, a property company listed on the SIX Swiss Stock Exchange in Zurich.

The Rt. Hon. Lord Freeman
Non-executive Director (66)
Lord Freeman is a member of the House of Lords and also serves as chairman of Thales Holdings UK plc. He is a consultant to PricewaterhouseCoopers (London) and chairman of their UK Advisory Board; director of Thales S.A. (France); and chairman of Cambridge Enterprise Ltd (the University technology transfer office). Lord Freeman is a graduate of Balliol College, Oxford. He was formerly a partner and managing director of Lehman Brothers (New York and London), specialising in cross-border mergers and acquisitions, and then a partner of PricewaterhouseCoopers (UK). Lord Freeman was MP for Kettering from 1983 to 1997, and held a number of ministerial positions during this time, including the parliamentary secretary for the departments of health and armed forces and minister of state for public transport and defence procurement. He also served as a member of the cabinet as Chancellor of the Duchy of Lancaster.

Corporate governance statement

Statement by the Directors on compliance with the Combined Code June 2006

The board of Directors of the Company ("Board") acknowledges that adhering to rules of good corporate governance is in the best interests of the Company and its shareholders. Although the Company is not required to comply with the Combined Code, all the Directors remain committed to high standards of corporate governance and intend to comply with its main provisions as far as possible having regards to the size of the Group. The following sections describe how the Board has applied the principles of the Combined Code.

The Workings of the Board and its Committees

The Board

The Board comprises three Non-executive Directors and two Executive Directors. The Executive Directors are Mikel Faulkner, who serves as the Executive Chairman of the Company, and Stephen Voss, who serves as the Company's Vice Chairman. There is a clear division of responsibility between the Executive Chairman and Vice Chairman, with the Executive Chairman being charged with the running of the Board, and the Vice Chairman with the running of the Company's operations, thus ensuring a balance of power and authority. The three Non-executive Directors are Alan Henderson, David Quint and Lord Freeman. The Company considers that each of the Non-executive Directors is an independent Director in that:
i) none are executive officers or employees of the Company; and
ii) none have a relationship with the Company that will interfere with the exercise of independent judgment in carrying out the responsibilities of such Directors. Although share option awards have been made to the Non-executive Directors these are not considered to impact their independence. The combined Board provides the Company with a wide range of expertise on issues relating to the Company's mission, operations, strategies and, most importantly, its standards or conduct.

The Board is responsible to the shareholders for the leadership and control of the Company. The Board meets formally four times a year and on an ad hoc basis as required. In compliance with the Combined Code, the Board considers and monitors all such matters as are specifically reserved to it under the Company's articles of association (the "Articles"). The Company's management provides appropriate and timely information to the Board to enable the Board to carry out its duties. The Company's Articles provided for formal and transparent procedures to appoint new Board members. The Articles further provide for re-election of all Directors annually. The Board has considered the formation of a Nomination Committee but does not consider it to be appropriate for the recurrent nature and size of the Board and Company. The Board will continue to monitor this issue.

The following committees deal with specific aspects of the Group's affairs:

Audit Committee

The Audit Committee, which is chaired by Lord Freeman, comprises only the Non-executive Directors and meets as required and at least twice a year. The Audit Committee provides a forum for reporting by the Group's external auditors.

The responsibilities of the Audit Committee comprise recommending to the Board the appointment and remuneration of the auditors, co-coordinating with the auditors on any problems or reservations they may have and reviewing with them the management reports prepared as a result of audits carried out, review of the Company's policy on internal controls and review of interim and annual financial statements before submission to the Board.

Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the remuneration of the Executive Directors and the ongoing review of the remuneration and other benefits of the Executive Directors and senior executives, recommending from time to time the introduction, variation or discontinuance of any benefits, including bonuses and share options. The Remuneration Committees comprises only Non-executive Directors and is chaired by David Quint.

Relations with Shareholders

Communication with shareholders is conducted through correspondence, meetings, London Stock Exchange releases and the Company's website, www.globalenergyplc.com. Any feedback from shareholders is reported to the Board.

Internal Controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal control, the effectiveness of which is reviewed on a regular basis. The internal control system is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and is designed to meet particular needs of the Group and the risks to which it is exposed, and by its nature can provide reasonably but not absolute assurance against material misstatement or loss. In view of the size of the Company, the Board does not consider that an internal audit function is required at present; however, the Board intends to keep this under review. The key procedures, which the Directors have established with a view to providing effective internal control, are as follows:

Management Structure
The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each executive has been given responsibility for specific aspects of the Group's affairs.

Corporate Accounting and Procedures Manual
Responsibility levels are communicated throughout the Group as part of the corporate accounting and procedures manual which sets out, inter-alia, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and control procedures together with accounting policies and procedures. The manual is reviewed quarterly and updated as required.

Quality and Integrity of Personnel
The integrity of personnel is ensured through supervision and training. High-quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the corporate accounting and procedures manual.

Identification of Business Risks
The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks.

Budgetary Process
Each year the Board approves the annual budget. Key risk areas are identified. Performance is monitored and relevant actions taken throughout the year through the monthly reporting to the Board of variances from the budget, updated forecasts for the year together with information on the key risk areas.

Investment Appraisal
The budgetary process and authorisation levels regulate capital expenditures. For expenditures beyond specified levels, detailed written proposals have to be submitted to the Board. Reviews are carried out after the investment is complete and, for some projects, during the investment period, to monitor expenditure. Major overruns are investigated.

The Directors continue to monitor and review the Group's procedures and policies on internal controls on an annual basis. The internal controls situation is reported to the Audit Committee, which has reviewed the effectiveness of the system of internal controls as it operated during the year.

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2008.

Principal activities
The principal activities of the Group are oil and gas exploration and production in Latin America.

Business review
A full review of the Group's activities during the year, recent events, principle risks and uncertainties and expected future developments is contained within the Executive Chairman's Statement on page 4 and within the Vice Chairman's Review of Operations on pages 5, 6 and 7. The Group's primary key performance indicators for 2008 are shown below.

- Revenue up 20.2% to $32.8 million (year ended 31 December 2007: $27.3 million);
- Gross profit up 25.9% to $17.3 million (year ended 31 December 2007: $13.8 million);
- Profit before tax up 11.8% to $9.9 million (year ended 31 December 2007: $8.9 million);
- Average operating cash netback per barrel of $35.31 during 2008 against an average price for West Texas Intermediate ("WTI") crude oil invoiced by the Company of $88.55*, with a $75.90 net wellhead price after oil transport and quality adjustments (2007: average operating cash netback per barrel $30.44; average price for WTI invoiced $72.48; $66.18 net wellhead price after oil transport and quality adjustments);
- Proved plus probable ("2P") reserves totalling 131.0 million barrels of oil equivalent ("BOE") as at 31 December 2008, giving a net present value at a 10% discount ("NPV10") of $1.5 billion (2007: 2P reserves 15.2 million; NPV10 $641.2 million);
- Final approval received in relation to Environmental Impact Study ("EIS") at the Peruvian Block 95 contract;
- Drilling successes at the Colombian Rio Verde contract resulting in:
  - Increased production;
  - New additional pay zones identified; and
  - Commercial hydrocarbon production established in the new Boral prospect area.

* The industry average price for WTI crude oil in 2008 was $99.57, $11.02 higher than the price invoiced by the Company due to the Company producing and selling approximately 59% of its 2008 net production in the second half of 2008 when oil prices were lower.

Results and dividends
The Group's profit on ordinary activities after taxation for the year amounted to $7,296,000 (year ended 2007: $6,993,000). The Directors do not recommend the payment of a dividend due to the Company's strategy of re-investing in capital assets.

Subsequent events
On 16 April 2009, the Company accepted all the conditions of an amendment to the Colombian Rio Verde contract whereby Phases IV and V are collapsed into one phase ending May 2010, therefore, substituting the need to drill a well by May 2009. Under the revised confirmed terms, by May 2010 the Company must now acquire approximately US$4.0 million of mostly 3D seismic and drill an exploratory well.

Financial Instruments
Note 1 on page 20 details the risk factors affecting the Group and summarises the Group's policies for mitigating such risks through holding and issuing financial instruments. These policies have been followed during the year 2008.

Directors
The Directors of the Company who served during the year up to and including the year end were as follows:

Mikel Faulkner – Executive Chairman
Stephen Voss – Vice Chairman (Previously Managing Director; Appointed Vice Chairman 7 March 2008)
Stephen Newton – Managing Director (Appointed Managing Director 12 February 2008 and as Executive Director 7 March 2008; Resigned 31 January 2009)
Alan Henderson – Non-Executive Director
David Quint – Non-Executive Director
Lord Freeman – Non-Executive Director

All Directors stood for re-election and were re-elected at the Annual General Meeting of the Company which took place on 2 July 2008.

No Director had any interest in the shares of the subsidiary undertakings or any other Group undertakings.

There are no warrants in the Company outstanding.

There were no contracts existing during, or at the end of the year, in which a Director was or is materially interested.

A summary of the number of meetings attended by the Directors of the Company during 2008 is provided below.

	Board Meetings	Audit Committee[1]	Remuneration Committee[1]	Total
Mikel Faulkner	8	–	–	8
Stephen Voss	6	–	–	6
Stephen Newton[2]	4	–	–	4
Alan Henderson	8	3	2	13
David Quint	8	3	2	13
Lord Freeman	7	3	2	12

1 Only Non-executive Directors are entitled to attend the meetings of the Audit Committee and Remuneration Committee.
2 Stephen Newton was appointed on 7 March 2008 and was eligible to attend six of the eight Board Meetings held in 2008.

Corporate Social Responsibility
The Group is fully committed to high standards of environmental, health and safety management.

Charitable and political donations
During the year, the Group made charitable contributions to The Children's Vision International, a non-profit foundation in Colombia, of $15,000 (2007: $10,000), and to Raft International, Ltd, a non-profit organisation in the United Kingdom, of $15,800 (2007: $14,400).

Supplier payment policy
It is Company and Group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. During the second semester of 2008, crude oil prices decreased significantly which impacted cash available to settle all outstanding liabilities on a timely basis. Management successfully worked with vendors and suppliers to establish payment plans where appropriate. As of the current date, no formal demands or lawsuits have been initiated.

Trade creditors of the Group as at 31 December 2008 were equivalent to 90 (2007: 31) days' purchases, based on the average daily amount invoiced by suppliers to the Group during the year.

Auditors
In accordance with the Companies Act 2006, a resolution for the reappointment of BDO Stoy Hayward LLP as auditors of the Group is to be proposed at the forthcoming Annual General Meeting.

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are not aware.

Annual General Meeting
Your attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Mikel Faulkner
Executive Chairman

20 April 2009

Stephen Voss
Vice Chairman

20 April 2009

Global Energy Development PLC
26 Dover Street
London W1S 4LY
UK

Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Acts 1985 and 2006 (as applicable).

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditors' report to the shareholders of Global Energy Development PLC

We have audited the Group financial statements (the "financial statements") of Global Energy Development PLC for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related notes. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Global Energy Developments PLC for the year ended 31 December 2008 and on the information in the Directors' Report that is described as having been audited.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Annual Report and 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Executive Chairman's Statement, the Vice Chairman's Review of Operations, the Oil and Gas Reserves Information as at 31 December 2008 (unaudited), the Director's Biographies, the Corporate Governance Statement and the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 Group'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 Group financial statements:
- give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London W1U 7EU
UK

20 April 2009

Consolidated income statement

For the year ended 31 December 2008

	Note	2008 $'000	2007 $'000
Revenue	2	32,800	27,289
Cost of sales		(15,461)	(13,514)
Gross Profit		17,339	13,775
Other income	4	122	678
Other income – correction of miscellaneous income	4	-	1,240
		122	1,918
Administrative costs		(6,304)	(5,841)
Operating Profit		11,157	9,852
Finance income	7	183	164
Finance expense	8	(1,417)	(1,141)
Profit before taxation		9,923	8,875
Income tax expense	9	(2,627)	(1,882)
Profit after taxation for the year		7,296	6,993
Earnings Per Share	3		
– Basic		$0.21	$0.20
– Diluted		$0.20	$0.19

The results reflected above relate to continuing activities.

The notes on pages 20 to 44 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital	Capital reserve	Share premium	Retained earnings	Other reserve	Total
At 1 January 2007	539	210,844	26,439	(174,016)	1,826	65,632
Profit for the period	–	–	–	6,993	–	6,993
Total recognised income and expense for the period	–	–	–	6,993	–	6,993
Share based payment	–	–	–	480	–	480
At 1 January 2008	539	210,844	26,439	(166,543)	1,826	73,105
Profit for the period	–	–	–	7,296	–	7,296
Total recognised income and expense for the period	–	–	–	7,296	–	7,296
Share based payment	–	–	–	165	–	165
At 31 December 2008	539	210,844	26,439	(159,082)	1,826	80,566

The notes on pages 20 to 44 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2008

	Note	2008 $'000	2007 $'000
Assets			
Non-current assets			
Intangible assets	11	**5,358**	4,419
Property, plant and equipment	12	**98,294**	82,499
Deferred tax assets	10	**1,214**	288
		104,866	87,206
Current assets			
Inventories	14	**1,290**	884
Trade and other receivables	15	**5,245**	9,367
Term deposits	16	**1,508**	1,831
Cash & cash equivalents	17	**3,722**	4,602
		11,765	16,972
Total assets		**116,631**	103,890
Liabilities			
Current liabilities			
Trade and other payables	18	**(7,099)**	(4,223)
Non-current liabilities			
Convertible loan notes	20	**(16,197)**	(15,810)
Deferred tax liabilities	10	**(11,768)**	(10,010)
Long term provisions	21	**(1,001)**	(674)
Other payables	19	**–**	(68)
	19	**(28,966)**	(26,562)
Total liabilities		**(36,065)**	(30,785)
Net assets		**80,566**	73,105
Capital and reserves attributable to equity holders of the company			
Share capital	24	**539**	539
Share premium	24	**26,439**	26,439
Other reserve	24	**1,826**	1,826
Capital reserve	24	**210,844**	210,844
Retained losses	24	**(159,082)**	(166,543)
Total equity		**80,566**	73,105

These financial statements were approved by the Board of Directors and authorised for issue on 20 April 2009 and were signed on its behalf by

Mikel D Faulkner

Mikel Faulkner
Executive Chairman

20 April 2009

Stephen Voss
Vice Chairman

20 April 2009

Global Energy Development PLC
26 Dover Street
London W1S 4LY
UK

The notes on pages 20 to 44 form an integral part of these financial statements.

Consolidated cash flow statement

For the period ended 31 December 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Operating profit before interest and taxation		11,157	9,852
Depreciation, depletion and amortisation	12	6,356	6,805
Write-off unsuccessful exploration costs	11	–	65
Decrease/(Increase) in trade and other receivables	15	3,321	(5,539)
(Increase)/decrease in inventories	14	(406)	115
Increase in trade and other payables	18	2,412	767
Increase in long-term provisions	21	127	66
Accretion expense on convertible notes	20	387	283
Provision against unitisation receivable		800	1,050
Loss on disposal of assets		25	–
Other non-cash items		46	63
Shared based Payment	25	165	480
Cash generated from operations		24,390	13,607
Income taxes paid		(2,178)	(1,202)
Net cash flows from operating activities		22,212	12,405
Investing activities			
Capital expenditure and financial investment			
– Expenditure on tangible fixed assets	12	(21,810)	(12,242)
– Expenditure on intangible fixed assets	11	(939)	(1,040)
Disposal of PPE		46	108
Interest received	7	183	164
Decrease/(Increase) in short-term deposits	16	323	(938)
Net cash flows from investing activities		(22,197)	(13,948)
Financing activities			
Interest paid		(895)	(810)
Net cash flows from financing activities		(895)	(810)
(Decrease)/increase in cash and cash equivalents		(880)	(2,353)
Cash and cash equivalents at beginning of year		4,602	6,955
Cash and cash equivalents	17	3,722	4,602

The notes on pages 20 to 44 form an integral part of these financial statements.

Notes to the financial information

For the twelve months ended 31 December 2008

1. Accounting Policies

Basis of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group for the twelve months ended 31 December 2008 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union.

New standards and interpretations

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2008 and adopted by the Group

– *IFRIC 11, IFRS 2 – Group and Treasury Share Transactions* (effective for accounting periods beginning on or after 1 March 2007). IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s). There was no impact on the Group's accounts from its adoption.

(b) Standards, interpretations and amendments to published standards effective in 2008 but which are not relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are currently not relevant to the Group's operations:

– *IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets* (Amendments) (effective for periods beginning on or after 1 July 2008). This amendment allows entities to reclassify held for trading assets out of this category if the assets are no longer held for the purpose of trading. This amendment is not applicable to the Group's operations as it is not applicable to instruments designated at fair value through profit or loss at initial recognition.

– *IFRIC 12, Service Concession Arrangements* (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations due to absence of such arrangements.

– *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. IFRIC 14 is not relevant to the Group's operations due to absence of such arrangements.

(c) Standards, amendments and interpretations to published standards not yet effective for the year 31 December 2008

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2009 or later periods and which the Group has decided not to adopt early. These are:

– *IFRS 1, First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)* (effective for accounting periods beginning on or after 1 January 2009). This standard allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly-controlled entities or associates (in its opening IFRS financial statements) as either costs determined in accordance with IAS 27, fair value of the investment at the date of transition in accordance with IAS 39 or using the previous GAAP carrying amount of the investment at the date of transition. As this is for entities adopting IFRS for the first time, this standard will have no impact on the results or net assets of the Group.

– *IFRS 8, Operating Segments* (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, 'Segmental Reporting'. The Group will apply this standard in the accounting period beginning on 1 January 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group, it is not expected to affect the presentation of the reported operating segments.

– *IAS 23, Borrowing Costs (revised)* (effective for accounting periods beginning on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. There is no impact on the Group's accounts.

1. Accounting Policies continued
– *IFRIC 13, Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the Group's operations due to absence of such arrangements.

– *IFRIC 15, Agreements for the Construction of Real Estate* (effective for accounting periods beginning on or after 1 January 2009). IFRIC 15 addresses whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenues. IFRIC 15 is not relevant to the Group's operations.

– *IFRIC 16, Hedges of a Net Investment in a Foreign Operation* (effective for accounting periods beginning on or after 1 October 2008). IFRIC 16 provides guidance regarding hedges of foreign currency gains and loss on a net investment in a foreign operation. An entity can hedge the foreign exchange gains and losses on a net investment arising from differences between the functional currency of the foreign operation and the functional currency of it direct parent. The Group is currently assessing its impact on the financial statements.

IFRIC 17 Distributions of non cash assets to owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC 17 is still to be endorsed by the EU. Prior to this interpretation, IFRSs did not address how an entity should measure distributions of assets other than cash when it pays dividends. Dividends payable were sometimes recognised at the carrying amount of the assets to be distributed and sometimes at their fair value. The Interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; that an entity should measure the dividend payable at the fair value of the net assets to be distributed; and than an entity should recognise he difference between the dividend paid and the carrying amount of the net assets distributed in profit and loss. The Interpretation also requires the entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non cash assets except for common control transactions. It does not have to be applied retrospectively. IFRIC 17 is not relevant to the Group's operations due to the absence of such arrangements.

IFRIC 18 Transfer of assets from customers (applies prospectively for transfers of assets on or after 1 July 2009. Limited retrospective application is permitted) IFRIC 18 is still to be endorsed by the EU. IFRIC 18 clarifies the treatment of IFRS, particularly IAS 18 'Revenue' for agreements in which an entity receives an item of property, plant and equipment from a customer to connect to an ongoing supply of goods and services. The interpretation clarifies: the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset), the recognition of revenue; the accounting for transfers of cash from customers. IFRIC 18 is not expected to be relevant to the Group's operations due to the absence of such arrangements.

– *Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. The revision to IFRS 3 will be relevant to the Group as and when such transactions falling into the scope of the review standard occur.

– *Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations* (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The Amendment to IFRS 2 is of particular relevance to companies that operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. This amendment is currently not applicable as the Group does not operate employee share save schemes. Management will continue to assess the impact of the amendment prior to adoption.

– *Amendment to International Accounting Standard 1 Presentation of Financial Statements (IAS 1)* (effective for accounting periods beginning or after 1 January 2009) replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005.

IAS 1 amends some of the terminology used in regard to the primary statements. Furthermore it introduces a requirement to include within a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. In addition the requirements in regard to the presentation of changes in equity and income and expenses are altered. Management is currently assessing the impact of the amendments on the accounts.

Notes to the financial information continued

For the twelve months ended 31 December 2008

1. Accounting Policies continued

Amendments to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning or after 1 January 2009) IAS 32 is amended by requiring some financial instruments that meet the definition of a financial liability to be classified as equity. The amendment addresses the classification of some puttable financial instruments, and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. These amendments are currently not applicable as the Group does not utilise the described financial instruments. Management will continue to assess the impact of the amendments prior to adoption.

IAS 39 Financial Instruments: Recognition and Measurement: Eligible hedged items (effective for accounting periods beginning on or after 1 July 2009). These amendments are still to be endorsed by the EU. This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in the designation of a one-sided risk in a hedged item, and inflation in a hedged item. Management will continue to assess the impact of the amendments prior to adoption.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Global Energy Development PLC and entities controlled by the Company up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Any excess of the cost of acquisition over the fair values of identifiable net assets is recognised as goodwill. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

Segment reporting

The Group's primary form of segmental reporting will be by business segment. Its secondary form of segmental reporting will be geographic.

A business segment is a group of assets or operations that are subject to risks and returns that are different to those of other business segments.

Revenue and Other Income

Sales revenue reflects actual volumes delivered to customers, valued at invoiced prices, as well as accruals for volumes delivered to the sales point but not yet invoiced pending finalisation of pricing negotiations. Those volumes are accrued as sales and valued at the weighted average sales price for the month.

Revenues relating to the sale of crude oil are recognised when the oil is received by the customer, and are net of taxes and royalty interests.

Other incomes relate to crude transportation fee and gain on settlements of royalties. Other incomes are recognised as incurred.

Oil and Gas Assets

The following policy definitions provide the guidelines for accounting treatment of Oil and Gas assets including properties, wells, facilities, pipelines and other related oil and gas producing assets during all stages of exploration and production activities:

Intangible Assets – Evaluation and Exploration Assets

The Company accounts for Evaluation and Exploration ("E&E") activity in accordance with the provisions of IFRS 6. The Company will continue to monitor the application of its policy with respect to any future guidance on accounting for oil and gas activities which may be issued.

1. Accounting Policies continued

– Capitalisation of E&E Assets

All costs (other than payments to acquire the legal right to explore, evaluate or appraise an area) incurred during the Pre-licensing Phase are charged directly to the income statement. All costs incurred during the Evaluation and Exploration Phases, such as Geological & Geophysical ("G&G") costs, other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability analyses) and appraisal are accumulated and capitalised as intangible E&E assets in accordance with the principles of full cost accounting.

At the completion of the Exploration Phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the carrying value of the relevant E&E asset will be reclassified as a Development and Production ("D&P") asset, but only after the carrying value of the asset has been assessed for impairment in accordance with the Impairment of E&E Assets policy. E&E costs are not amortised prior to reclassification to the D&P Phase.

– Impairment of E&E Assets

Upon reclassification of a project from the E&E phase to D&P phase, an impairment review of the affected E&E assets is performed. The E&E impairment test is performed by comparing the carrying value of the costs against the estimated recoverable value of the reserves (proved plus probable) related to these assets. Any resulting impairment loss is charged to the income statement. The recoverable value is determined as a) the higher of its fair market value less costs of disposal or b) the sum of related cash flows, on a net present value basis, from continued operations.

Further, if at any time when indicators or circumstances exist which suggest the E&E assets may be impaired such as:

- the license to explore a particular area has expired or will expire soon and will not be renewed, or;
- further exploration or evaluation work in a particular area is not budgeted or planned, or;
- Evaluation and Exploration work has concluded that commercially viable amounts of oil are not available in a particular area and the Company has decided to discontinue Evaluation and Exploration in that area, or;
- data shows that, although development of an area will continue, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development, indicating the possibility that the carrying value of an E&E asset may exceed its recoverable amount.

An impairment review of the affected E&E assets is performed. The E&E impairment test is carried out by adding the value of the E&E assets being evaluated to the D&P assets at a country level to determine the relevant Cash Generating Unit ("CGU"). The relevant CGU is determined as a segment which is not larger than the Company's primary or secondary segment, as determined by IAS 14. The combined carrying value of the E&E and D&P assets in the CGU is compared against the estimated recoverable value, and any resulting impairment loss is charged to the income statement. The recoverable value is determined as a) the higher of its fair market value less costs of disposal or b) the sum of related cash flows, on a net present value basis, from continued operations.

Property, Plant and Equipment – Development and Production (D&P) Assets

The Company accounts for D&P assets in accordance with the provisions of IAS 16 following the full cost accounting principles. The Company will continue to monitor the application of its policy with respect to any future guidance on accounting for oil and gas activities which may be issued.

– Capitalisation

Development and production assets are accumulated into single field cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves previously transferred from E&E assets as outlined in the policy above. From time to time different scenarios occur that call for specific policy guidance. The following specific policies are applied by the Company:

- *Cash Generating Unit (CGU)* – The Company has defined its Cash Generating Units as assets or groups of assets representing the smallest identifiable segments generating cash flows that are largely independent of cash flows from other assets or groups of assets. As defined, each CGU includes the relevant properties, wells, facilities, pipelines, and other key components of the included operations.
- *Dry Hole Costs* – Dry hole costs are included in the capitalised costs of the field and would therefore be included in any impairment tests conducted, as described below.
- *Water Injection/Disposal Wells* – The Company may convert an existing well into a water injection or disposal well. At the time of conversion, all costs associated with the asset are transferred to facility costs. Any capitalisable costs incurred there after will be included as facility costs.
- *Allocated Costs* – Costs such as G&G, Seismic, Capitalised G&A costs, Financing costs, etc. which may cover multiple countries, business segments, CGU's or other assets will be allocated to the appropriate CGU's during the period in which the costs were incurred.

Notes to the financial information continued

For the twelve months ended 31 December 2008

1. Accounting Policies continued

– Depreciation, Depletion and Amortisation (DDA)
Asset costs relating to each CGU as defined above, which include the components of properties, wells, facilities, pipelines and other, are depreciated, depleted or amortised ("DDA") on a unit of production method based on the commercial proven and probable reserves for that CGU. Development and Production assets are depreciated over the relevant net production within the corresponding CGU. As noted above, asset costs associated with E&E projects, even though those assets may or may not have reserves associated with them and are within a CGU with active producing operations, are not depreciated until such costs are analysed for impairment and then transferred to D&P phase. The DDA calculation takes into account the estimated future costs of development for recognised proven and probable reserves for each field, based on current price levels and escalated annually based on projected cost inflation rates. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

– Impairment of D&P Assets
A review is performed for any indication that the value of the Company's D&P assets may be impaired such as:

- significant changes with an adverse effect in the market or economic conditions which will impact the assets, or;
- obsolescence or physical damage of an asset; an asset becoming idle or plans to dispose of the asset before the previously expected date, or;
- evidence is available from internal reporting that indicates that the economic performance of an asset is or will be worse than expected.

For D&P assets when there are such indications, an impairment test is carried out on the cash generating unit. Cash generating units are identified in accordance with IAS 36 'Impairment of Assets', where cash flows are largely independent of other significant assets groups and are normally, but not always, single development or production areas. When an impairment is identified, the depletion is charged through the income statement if the net book value of capitalised costs relating to the cash generating unit exceeds the associated estimated future discounted cash flows of the related commercial oil and gas reserves.

Workovers/Overhauls and maintenance
From time to time a workover or overhaul or maintenance of existing D&P assets is required, which normally fall into one of two distinct categories. The type of workover dictates the accounting treatment and recognition of the related costs:

– Capitalisable costs
Costs will be capitalised where the performance of an asset is improved, where an asset being overhauled is being changed from its initial use, the assets' useful life is being extended, or the asset is being modified to assist the production of new reserves.

- If the workover is being performed on an asset which has been the subject of a previous workover, the net book value of costs previously capitalised will be de-recognised and charged to Operating Expense at the same time as the subsequent capitalisable workover expenditures are being recognised as part of the asset's revised carrying value.
- If the workover replaces parts, equipment or components of an asset or group of assets, and these replacement items qualify for capitalisation, then the original cost of those parts or equipment, including related installation and set up costs that were capitalised as part of the original asset, will be de-recognised and charged to cost of sale in the income statement.
  In the event that the original cost of parts, equipment or components being replaced are not reasonably identifiable, the cost of the new items, adjusted for inflation, may be deemed adequate for consideration as the original cost.

– Non-Capitalisable costs
Expense type workover costs are costs incurred such as maintenance type expenditures, which would be considered day-to-day servicing of the asset. These types of expenditures are recognised in the income statement as incurred. Expense workovers generally include work that is maintenance in nature and generally will not increase production capability through accessing new reserves, producing from a new zone or significantly extend the life or change the nature of the well from its original production profile.

Decommissioning
Where a material liability for the removal of production facilities and site restoration at the end of the productive life of a field exists, a provision for decommissioning is recognised. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. The unwinding discount arising on the recognition of the provision is released to the income statement and included within finance expense.

An amount equivalent to the provision is also recognised with the cost of the respective tangible asset and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated fixed asset.

1. Accounting Policies continued

Property, plant and equipment other than oil and gas assets

Property, plant and equipment other than oil and gas assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged on such assets, with the exception of freehold land, so as to write off the cost, less estimated residual value, on a straight-line basis over their useful lives of between three and five years.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax, including UK Corporation and any overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial Instruments

Financial assets

The Group classifies its financial assets into loans and receivables, which comprise the categories discussed below, depending on the purpose for which the asset was required. The Group has not classified any of its financial assets as held to maturity or available for sale.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (i.e. trade receivables) but also incorporate other types of contractual monetary assets including term deposits, which relate to US Dollar denominated Certificates of Deposit with restricted access and varying maturity dates which act as guarantees for Letters of Credits required for performance assurance on oil and gas fields and office rental contracts. The loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost (which is considered to equate to carried cost) less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the expense being recognised within cost of sales in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time the Group may elect to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations may lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows would be discounted at the original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with a maturity of three months or less and other short–term highly liquid investments that are readily convertible into known amounts of cash and overdrafts repayable on demand. The Group has not classified any of its assets at fair value through profit and loss. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to the financial information continued

For the twelve months ended 31 December 2008

1. Accounting Policies continued

Financial liabilities

The Group classifies its financial liabilities into categories depending on the purpose for which the liability was acquired. The Group has not classified any of its liabilities at fair value through profit and loss.

The Group's accounting policy for each category is as follows:

Held at amortised cost

Trade payables and other short-term monetary liabilities are initially recognised at fair value and, where deemed material, subsequently carried at amortised cost using the effective interest method.

Compound financial instruments

The Group's convertible loan notes are classified as compound financial instruments and a separate accounting policy for Convertible Debt has been included below.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares and unclassified ordinary shares are classed as equity instruments.

Provisions

From time to time it is necessary for the Group to defend itself against legal claims that may or may not result in the Group having to make a financial settlement. Provisions for anticipated settlement costs and associated expenses arising from any legal and other disputes are made where a reliable estimate can be made of the probable outcome of the dispute. Where it is not possible to make such an estimate, no provision is made.

Convertible debt

In accordance with IAS 32 and IAS 39, the Company has classified the convertible debt in issue as a compound financial instrument. Accordingly, the Company presents the liability and equity components separately on the balance sheet. The classification of the liability and equity components is not reversed as a result of a change in the likelihood that the conversion option will be exercised. No gain or loss arises from initially recognising the components of the instrument separately. Interest on the debt element of the loan is accreted over the term of the loan. Costs associated with the raising of debt are set off against the gross value of monies received.

Interest on borrowings is capitalised where the related proceeds are clearly allocated to the development of a qualifying asset. Capitalisation of interest is suspended once the qualifying asset is bought into production.

Share-based payments

In accordance with IFRS 2 'Share-based payments', the Group reflects the economic cost of awarding shares and share options to employees and directors by recording an expense in the income statement equal to the fair value of the benefit awarded. The expense is recognised in the income statement over the vesting period of the award.

Fair value is measured by use of a binomial model which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

Post retirement benefits

The Group contributes to a defined contribution scheme. Contributions are charged to the income statement as they become payable.

Foreign currencies

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

1. Accounting Policies continued
On consolidation, the results of overseas operations are translated into US Dollar at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date.

Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve on consolidation.

At the date of transition to IFRS January 1, 2006, Global Energy Development PLC used an exemption available under IFRS 1, 'First time adoption of International Financial Reporting Standards', which resulted in the cumulative translation differences for all foreign operations being deemed to be zero at the date on transition to IFRS. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

Functional and presentational currency
The functional currency of the Company has been determined to be the US Dollar and accordingly the financial statements have been presented in US Dollars.

Leased assets
Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest.

The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Critical accounting judgements and key sources of estimation uncertainty
Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Carrying value of intangible exploration and evaluation assets (Note 11);
- Carrying value of property, plant and equipment (Note 12);
- Commercial reserves estimates (on page 8);
- Decommissioning provision (Note 21);
- Share based payments (Note 24);
- Convertible loans (Note 20);
- Litigation and provisions against receivables (Note 15).

Notes to the financial information continued

For the twelve months ended 31 December 2008

2. Segmental analysis

In the opinion of the Directors, the operations of the Group companies comprise one single class of business including oil and gas exploration, development and production of oil and gas reserves, and the sale of hydrocarbons and related activities. The Group operates in one geographic area, Latin America. The financial information presented reflects all the activities of this single business segment.

The Group's primary reporting segment is business segment:

2008	Exploration, development and production of oil and gas $'000	Corporate $'000	Total $'000
Crude Sales	32,800	–	32,800
Profit after taxation	13,359	(6,063)	7,296
Total assets	87,943	28,688	115,846
Total liabilities	(18,739)	(17,326)	(36,065)
Other segment items included in the Group statements are as follows			
Capital expenditure	23,048	8	23,056
Depreciation, amortisation and depletion	6,247	117	6,364
Share based payments	–	165	165

2007	Exploration, development and production of oil and gas $'000	Corporate $'000	Total $'000
Crude Sales	27,289	–	27,289
Profit after taxation	12,579	(5,586)	6,993
Total assets	75,654	28,236	103,890
Total liabilities	(11,879)	(18,906)	(30,785)
Other segment items included in the Group statements are as follows:			
Capital expenditure	13,168	114	13,282
Correction of miscellaneous income (see Note 4)	1,240	–	1,240
Depreciation, amortisation and depletion	6,680	125	6,805
Share based payments	–	480	480

The Group's secondary reporting segment is based on geographic regions; and since the Group presently operates only in Latin America, the financial information presented would be the same as that presented for the business segment.

3. Earnings per share (EPS)

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. The calculation of the dilutive potential ordinary shares related to employee and director share option plans includes only those options with exercise prices below the average share trading price for each period.

3. Earnings per share (EPS) continued

	2008 $'000	2007 $'000
Net profit attributable to equity holders used in basic calculation ($'000)	7,296	6,993
Add back interest and accretion charge in respect of convertible loan notes ($'000)	1,281	970
Net profit attributable to equity holders used in dilutive calculation ($'000)	8,577	7,963
Basic weighted average number of shares	35,328,428	35,328,428
Earnings Per Share		
– Basic	$0.21	$0.20
– Diluted	$0.20	$0.19
Dilutive potential ordinary shares		
Shares related to convertible notes	4,565,027	4,565,027
Employee and Director share option plans	3,145,196	3,145,196
Diluted weighted average number of shares	43,648,651	43,038,651

The dilutive share schemes and options are detailed within Share based payments (Note 24). The calculation of the diluted EPS assumes all criteria giving rise to the dilution of the EPS are achieved and all outstanding share options are exercised.

4. Other income

	2008 $'000	2007 $'000
Financial gain on settlement of royalties	98	444
Crude transport fees	24	104
Miscellaneous income	–	22
Gain on sale of assets	–	108
Correction of miscellaneous income	–	1,240
Total other income	122	1,918

In the year 2007 the correction of miscellaneous income resulted from a reconciliation of fees, tariffs and other income and an analysis of deferred income recorded over a period of years, which identified that other income had been understated in prior periods. In accordance with the provisions of IAS 8 regarding the lack of availability of historic data in order to objectively ascertain the specific nature and impact to prior periods, the adjustment to correct the miscellaneous incomes has been recognised in the year 2007. For comparison purposes, this adjustment has been excluded from the calculation of key performance indicators for profit before tax and cash netback per barrel.

5. Operating profit

Profit from operations is stated after charging/(crediting):

	2008 $'000	2007 $'000
Depletion, depreciation and amortisation:		
Oil and gas assets	6,163	6,632
Other fixed assets	193	173
Operating lease charges – Land and buildings	383	477
Employee costs	3,774	3,452
Gain on disposal of assets	–	108
Share based payments	165	480
Net foreign currency gains/(losses)	225	67
Auditors' remuneration	106	312

Gain on disposal of assets in 2007 related to disposal of excess materials and equipment totalling $572,000 with related depreciation of $392,000 that were sold to third parties or otherwise disposed of, resulting in recognition of a gain of $108,000 in Other Income.

Notes to the financial information continued

For the twelve months ended 31 December 2008

5. Operating profit continued

Analysis of auditors' remuneration

	2008 $'000	2007 $'000
Audit services:		
Statutory audit	55	140
Non-audit services:		
Audit related regulatory reporting	22	48
Tax services	29	124
Total auditors' remuneration	106	312

6. Employee costs

Group employee costs (including executive directors) during the year amounted to:

	2008 $'000	2007 $'000
Wages and salaries	3,167	2,469
Social security costs and other payroll taxes	288	329
Insurances and other benefits	290	379
Other pension costs – defined contribution	29	45
Share based payments (Note 24)	165	480
Severance payments	–	230
Total employee costs	3,939	3,932

The average number of Group employees (including executive directors) was:

	2008	2007
Technical and operations	16	16
Management and administrative	23	17
Total Group employees	39	33

The employee costs and number of employees above do not include contract and casual labour in field operations which are charged directly to operating expense as incurred. These employees are not on the Group's payroll and are contracted through third parties.

Director's Remuneration

	Bonus $'000	Salary $'000	Benefits $'000	Share based payments $'000	Fees $'000	Total 2008 $'000	Total 2007 $'000
Executives							
Mikel Faulkner	300	125	13	22	–	460	182
Stephen Voss	200	205	45	8	–	458	312
Stephen Newton[1]	60	249	10	35	–	354	–
Guillermo Sanchez	–	–	–	–	–	–	277
Non-executives[2]							
Alan Henderson	–	–	–	12	60	72	40
David Quint	–	–	–	12	60	72	40
Lord Freeman	–	–	–	17	60	77	40
Total	560	579	68	106	180	1,493	891

1 Stephen Newton was appointed as Managing Director on 12 February 2008 and as an Executive Director on 7 March 2008 and resigned on 31 January 2009.
2 The Non-executive fees were paid in Pounds Sterling of the amount £30,000 each (2007: £20,000).

6. **Employee costs** continued

Compensation paid to key management personnel including Directors, Executive Directors and senior management:

	2008 $'000	2007 $'000
Non-executive director fees	180	120
Compensation and benefits paid to key management personnel		
Compensation paid	865	897
Performance bonuses	675	272
Health and life insurances	70	85
Company contributions to payroll taxation	48	74
Severance payments	–	75
Pension contributions	29	26
Total	1,867	1,549

7. Finance income

	2008 $'000	2007 $'000
Income on cash at bank and short-term deposits	183	164

8. Finance expense

	2008 $'000	2007 $'000
Bank loans and overdrafts	10	122
Interest on convertible debt	893	938
Accretion of convertible debt expense	387	386
Unwinding of discount on decommissioning provision	127	49
Gross finance expenses	1,417	1,495
Interest capitalised during the year	–	(354)
Net finance expenses	1,417	1,141

9. Taxation

The Global Energy Development PLC group is subject to UK and Colombian taxation.

UK taxation

The Company does not expect to be liable for UK corporation tax in the foreseeable future because, as of the date of the last UK tax return, Global had trading losses brought forward of $18.9m which are expected to increase in the future.

Colombian taxation

The group pays taxes in Colombia through the branch office of the subsidiary Harken de Colombia, Ltd. The current tax included represents the tax payable under Colombian legislation called Presumptive Income Tax (PIT). The PIT calculation is based upon a 33% tax rate (2007: 34%) on presumptive income representing 3% of the previous year's taxable net assets.

At 31 December 2008, net operating losses carried forward accumulated prior to the year 2002 and totalling $13m expired in year 2007 in accordance with Colombian tax law.

Notes to the financial information continued

For the twelve months ended 31 December 2008

9. Taxation continued

Taxation charge

Analysis of the Group tax charge/(credit):

	2008 $'000	2007 $'000
Current tax:		
UK Corporation Tax on profits at 28% (2007: 30%)	–	–
Overseas tax	1,728	1,500
Adjustments in respect of previous periods	67	(40)
Total current tax	1,795	1,460
Deferred tax: (see Note 10)		
UK deferred tax	(46)	(16)
Overseas tax	878	438
Total deferred tax	832	422
Tax charge on profit on ordinary activities	2,627	1,882

The weighted average effective tax rate is 26% (2007: 21%) based on profit before taxation.

Taxation reconciliation

The charge for the year can be reconciled to the profit per the income statement:

	2008 $'000	2007 $'000
Profit before tax	9,923	8,875
Tax on Group profit before tax at UK Corporation tax rate of 28% (2007: 30%)	2,778	2,663
Effects of:		
Expenses not deductible for tax purposes	1,730	2,166
UK tax on losses carried forward	1,698	–
Tax rate differences on profits/(losses) outside ring fence activities	(4,478)	(1,077)
Utilisation of Colombia tax losses	–	(2,252)
Temporary differences (see Note 10)	832	422
Adjustments in respect of previous periods	67	(40)
Total tax charge	2,627	1,882

10. Deferred taxation

At 31 December 2007, the remaining balance of net operating losses carried forward totalling $13.0m expired, in accordance with Colombian tax law, therefore no deferred tax assets related to net operating losses were recorded in 2008.

Additionally, in accordance with IAS 12, a deferred tax liability based on a tax rate of 33% was recognised in non-current liabilities related to temporary differences between net book values of assets in Colombia and their associated tax basis, as detailed below:

Temporary differences on Colombia assets	*Temporary* differences $'000	*Deferred* tax liability $'000	Deferred tax *charges/* (credits) $'000
As at 1 January 2008	(29,441)	(10,010)	–
Movement in temporary differences	(6,219)	(1,758)	1,758
As at 31 December 2008	(35,660)	(11,768)	–

These temporary differences between the tax basis of Colombia related assets and their book value are generated due to investments carried outside of the local branch books and therefore not tax deductible in Colombia.

10. Deferred taxation continued

Other temporary differences	Temporary differences $'000	Deferred tax assets $'000	Deferred tax charges/ (credits) $'000
As at 1 January 2008	1,045	288	
Movement in temporary differences	2,712	926	(926)
As at 31 December 2008	**3,757**	**1,214**	

Other temporary differences between tax basis and net book carrying values arise in regards to a decommissioning liability related to Colombia exploration and producing assets in the amount of $801,000 at 31 December 2008 (2007: $674,000), the Cajaro unitisation provision for a total amount in 2008 of $2,419,000 and office equipment and miscellaneous assets with temporary differences totalling $537,000 (2007: $371,000).

11. Intangible exploration and evaluation (E&E) assets

	2008 $'000	2007 $'000
Costs		
Colombia		
At 1 January	–	1,157
Additions	–	7,476
Exploration expenditure written off	–	(65)
Transfer to tangible assets	–	(8,568)
At 31 December	–	–
Peru		
At 1 January	**3,441**	2,807
Additions	**756**	667
Exploration expenditure written off	–	(33)
At 31 December	**4,197**	3,441
Panama		
At 1 January	**978**	694
Additions	**183**	284
At 31 December	**1,161**	978
Total Intangible costs at 31 December	**5,358**	4,419

The amounts for intangible E&E assets represent costs incurred on active oil and gas exploration projects. In accordance with Oil and Gas asset accounting policies described Note 1, E&E assets are evaluated when circumstances exist that suggest the possibility of impairment, as well as when E&E assets are reclassed to the Development and Producing phase. The outcome of ongoing exploration, and therefore whether the carrying value of assets will ultimately be recovered, is inherently uncertain.

In June 2007, the exploration and producing contract with the Colombian Agencia Nacional de Hidrocarburos covering the Los Sauces area in Colombia was terminated. In September 2007, after negotiations to modify terms and conditions of the contract obligations failed, investment totalling $1,075,000 was reclassified to depreciable facilities in accordance with the accounting policies described in Note 1.

In accordance with the provisions of IFRS 6 and IAS 36 the Group have considered, in detail, the definition of CGU for the purposes of assessing the accounting treatment of the E&E assets referred to above. The considerations have taken into account the operating structure of the terminated licences alongside existing D&P assets, the interdependence of future cash flows arising from the terminated licences alongside existing D&P projects. Also the extent to which individual assets in each CGU generate cash flows which are largely independent of those from other assets, the operating segment to which the assets had belonged under IAS 14 and an assessment of the recoverable amount of the CGU in which the assets were held. Accordingly the directors consider that the carrying value of the D&P assets as disclosed in Note 12 are not impaired based on an assessment of the recoverable amount of each of the group's CGUs.

Notes to the financial information continued

For the twelve months ended 31 December 2008

12. Property, plant and equipment – Development and Production (D&P) Assets

	Oil and gas properties $'000	Facilities and pipelines $'000	Office equipment and other $'000	Total $'000
Cost:				
At 1 January 2007	**81,396**	**19,158**	**1,727**	**102,281**
Additions	3,012	1,674	169	4,855
Disposals	(293)	–	(279)	(572)
Transfers	9,819	(1,686)	–	8,133
At 31 December 2007	**93,934**	**19,146**	**1,617**	**114,697**
Additions	18,682	3,337	254	22,273
Disposals	(117)	–	(39)	(156)
Transfers	290	(288)	(2)	–
At 31 December 2008	**112,789**	**22,195**	**1,830**	**136,814**
Depreciation:				
At 1 January 2007	**(20,350)**	**(4,209)**	**(1,144)**	**(25,703)**
Disposals	211	–	181	392
Transfers	(118)	38	(2)	(82)
Provided during the year	(5,368)	(1,264)	(173)	(6,805)
At 31 December 2007	**(25,625)**	**(5,435)**	**(1,138)**	**(32,198)**
Disposals	24	–	10	34
Transfers	(6)	6	–	–
Provided during the year	(5,183)	(980)	(193)	(6,356)
At 31 December 2008	**(30,790)**	**(6,409)**	**(1,321)**	**(38,520)**
Net book value at 31 December 2008	**81,999**	**15,786**	**509**	**98,294**
Net book value at 31 December 2007	**68,309**	**13,711**	**479**	**82,499**

As at 31 December 2008 included in the cost of tangible fixed assets is $788,000 (2007: $788,000) in respect of capitalised financing costs. There were no capitalised financing costs capitalised in the year 2008 (2007: $353,000).

In the year 2007 E&E costs for the Los Sauces contract in addition to drilling costs related to Luna Llena, as described in note 11, were transferred from Intangible Assets to Tangible Assets during in 2007. Detailed analyses of tangible assets classifications recorded in prior years for Colombia resulted in reclassification of asset values ($1,357,000) and related depreciation ($38,000) from Facilities and Pipelines to other categories of tangible fixed assets. In addition, excess materials and equipment valued at $329,000 were transferred into inventory.

Expenditures in 2008 in Oil and Gas Assets and Pipelines and Facilities were primarily related to the drilling of new wells in the Rio Verde contract area and the installation of related crude handling facilities.

Depletion and depreciation for oil assets is calculated on a unit-of-production basis, using the ratio of oil production in the period to the estimated quantities of proved and probable reserves at the end of the period plus production in the period. Oil and gas assets are tested periodically for impairment to determine whether the net book value of capitalised costs relating to the cash generating unit, as defined in Note 11, exceed the associated estimated future discounted cash flows of the related commercial oil and gas reserves. If an impairment is identified, the depletion is charged through the income statement in the period incurred. The Group has performed an impairment test at 31 December 2008 and no impairment requirement was identified.

13. Investments in Subsidiaries

The principal subsidiary undertakings in which the Group's interest at the year end is equal to or more than 50% are as follows (these undertakings are included on consolidation):

Held directly	Country of incorporation	Class of share capital held	Proportion held by the company
Harken de Colombia	Cayman Islands	Ordinary	100%
Harken de Colombia Holdings, Ltd.	Cayman Islands	Ordinary	100%
Harken de Colombia II, Ltd.	Cayman Islands	Ordinary	100%
Harken de Colombia III, Ltd.	Cayman Islands	Ordinary	100%
Harken South America, Ltd.	Cayman Islands	Ordinary	100%
Harken de Peru Holdings, Ltd.	Cayman Islands	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Harken de Panama Holdings, Ltd.	British Virgin Islands	Ordinary	100%
Harken de Panama, Ltd.	British Virgin Islands	Ordinary	100%
Global Energy Management Resources	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above:

Harken de Colombia Ltd.	Colombian Branch	Indirect holding	100%
Harken de Colombia II, Ltd.	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%
Harken de Panama, Ltd.	Panamanian Branch	Indirect holding	100%

All of the above companies and branches are engaged in oil and gas exploration.

14. Inventories

	2008 $'000	2007 $'000
Oil stocks	654	306
Yard Stock	636	578
Total Inventories	1,290	884

The amount of inventory which has been recognised as an expense during the year is $1,672,000 (2007: $1,703,000). The inventories are carried at cost.

15. Trade and other receivables

	2008 $'000	2007 $'000
Trade receivables	6,853	10,351
Less provision for impairment of trade receivables	(2,420)	(1,931)
Net trade receivables	4,433	8,420
Other receivables	144	50
Prepayments	276	437
Withholding taxes receivable	393	460
Total trade and other receivables	5,246	9,367

As at 31 December 2008, with the exception of the unitisation issue discussed below, there were no receivables considered past due (2007: $nil), and the Board of Directors considers that there is no significant difference between the carrying values and the fair values of all receivables. The maximum exposure to credit risk at the reporting date is the gross carrying amount net of provisions for impairment of each class of receivable set out above.

The provision for impairment of trade receivables increased during the year by $0.5m (2007: $1.0m) the corresponding entry was charged to the income statement.

Notes to the financial information continued

For the twelve months ended 31 December 2008

15. Trade and other receivables continued

As at 31 December 2008, trade receivables of $4.5m (2007 $4.0m) related to an association partner in the Colombian region, whose legal entitlement under a unitisation issue is subject to ongoing negotiation and arbitration. In light of the probability of delays anticipated in the resolution of the unitisation issue, the Board of Directors elected to impair the receivable. The amount of the provision as at 31 December 2008 was $2.4m (2007: $1.9m).

The ageing of this receivable is as follows:

	2008 $'000	2007 $'000
Up to 3 months	244	244
4 to 6 months	236	236
Over 6 months	4,073	3,560
Total	4,553	4,040

Also included in the above are trade receivables from the Group's sole customer totalling $2.3m (2007: $6.3m) in crude sales receivables not considered a risk due to the short term nature of the receivables, the positive credit rating of the customer, and the historical trading relationship with this customer. The full balance from this customer as at 31 December 2008 was due within 30 days (2007: 30 days).

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The carrying values of the Groups' trade and other receivables are denominated in the following currencies:

	2008 $'000	2007 $'000
US Dollar	2,014	7,323
Colombian Peso	3,135	2,040
Peruvian Nuevos Soles	96	4
Total	5,245	9,367

Except as noted above, all amounts shown under receivables fall due for payment within one year.

16. Term deposits

	2008 $'000	2007 $'000
Dollar denominated investments	1,508	1,831

The Group has established US Dollar denominated Certificates of Deposit with restricted access and varying maturity dates as guarantees for Letters of Credit required for performance assurance on oil and gas fields and office rental contracts. At 31 December 2008, the Group maintained four Certificates of Deposit totalling $1,441,904 (2007: $1,731,000) supporting oil and gas fields and one Certificate of Deposit in the amount of $66,667 (2007: $100,000) supporting one office rental contract. The term deposits are carried at amortised cost, the carrying amounts of the financial assets are deemed to approximate to their fair value.

The maturity of the Group's term deposits is as follows:

	2008 $'000	2007 $'000
Up to 3 months	–	–
3 to 6 months	33	–
Over 6 months	1,475	1,831
Total	1,508	1,831

17. Cash & cash equivalents

	2008 $'000	2007 $'000
Cash in bank and on hand	3,722	4,602

All cash balances constitute demand deposits or short term investments available at call and held in US Dollars, Colombian Pesos, Peruvian Nuevos Soles and Pounds Sterling. Details of balances, interest rates on deposits and currency exposures are summarised in Note 23.

18. Current liabilities

	2008 $'000	2007 $'000
Trade payables	4,357	1,109
Taxation	721	1,579
Other financial liabilities	–	–
Accrued liabilities	1,817	1,223
Short term loans payable	204	312
Total current liabilities	7,099	4,223

Trade payables reflect balances owed on invoices received from vendors and contractors related to active projects in progress at the end of each period. The accrued liabilities represent the value of work completed but not yet invoiced at 31 December 2008.

Short term loans payable represent the financing of insurance premiums at fixed rates over the coverage period.

It is considered that both values of trade and other payables approximates to fair value at 31 December 2008 and 2007.

Maturity analysis of the financial liabilities is as follows:

	2008 $'000	2007 $'000
Up to 3 months	4,133	3,989
3 to 6 months	551	78
Over 6 months	1,893	156
Total	6,577	4,223

19. Non-current liabilities

	2008 $'000	2007 $'000
Long term leases payable	–	68
Long term provisions (see note 21)	1,001	674
Convertible loan notes (see note 20)	16,197	15,810
Deferred income taxation (see note 10)	11,768	10,010
Total non-current liabilities	28,966	26,562

Long term leases payable represents the difference between actual operating lease payments and the recognition of operating lease costs on a straight-line basis as per IAS 17.

	2008 $'000	2007 $'000
Analysis of debt:		
Debt can be analysed as falling due:		
Within one year or on demand	–	–
Between one and two years	–	–
Between two and five years	16,197	68
In five years or more	–	15,810
	16,197	15,878

All of the Group's loans and borrowings are denominated in United States Dollars.

Notes to the financial information continued

For the twelve months ended 31 December 2008

20. Convertible loan notes

	2008 \$'000	2007 \$'000
Balance bought forward	15,810	15,425
Accreted interest	387	385
Balance carried forward	16,197	15,810

On 8 December 2006, the Group entered into a fixed-rate loan agreement for \$11,903,000 in convertible notes ("2006 loan notes"). Unless previously redeemed, converted or purchased and cancelled, the notes are repayable in full on 8 December 2012. If the Company redeems the loan notes prior to 8 December 2009, an early redemption penalty of 8% on the outstanding balance is payable.

A portion of the previous loan notes from the loan agreement entered into on 30 October 2005 ("2005 loan notes") was partly extinguished (\$6,702,000) and re-invested in the 2006 loan notes. A balance of \$5,798,000 in 2005 loan notes remains outstanding. The Group raised an additional \$5,201,000 in cash from this financing transaction.

All loan notes incur an interest charge of 5% per annum for the first three years, 6% per annum for the next two years and thereafter an interest rate of 7%. Interest is payable quarterly. The effective interest rate is therefore 5.85%. Holders of the 2006 loan notes have the right to convert the outstanding amount (or part thereof) into ordinary shares at a fixed exchange rate of \$1.90:£1 and at a fixed price of 179p at any time. Holders of the 2005 loan notes have the right to convert the outstanding amount (or part thereof) into ordinary shares at a fixed exchange rate of \$1.78:£1 and at a fixed price of 305.8p at any time. The loan notes are not secured against any assets of any Group company. In accordance with the provisions of IAS 32, the Group has determined the convertible loan note issue to be a compound financial instrument requiring a proportion of the loan to be classified as equity. The reclassified element represents the difference between the fair value of a similar liability with no equity conversion option and the fair value of the existing loan in current terms. Accordingly, an amount of \$512,000 was reclassified to equity in 2006. Total costs incurred in raising the loan amounts in 2006 were \$325,000 of which \$32,000 was reclassified to equity. The remainder was debited against the carrying value of the notes. Accreted interest is charged to the income statement over the life of the notes. The effective interest rate is 5.96%.

21. Provisions

	2008 \$'000	2007 \$'000
Provision in the period	200	–
Enviromental Provision at 31 December	200	–
Decommissioning liability at 31 December	674	625
Unwinding of discount	49	49
Change in estimate	78	
Decommissioning liability	801	674
Total long term provisions	1,001	674

The environmental provision represents the creation of a 1% environmental investment reserve required under Colombia law.

The decommissioning provision represents the present value of decommissioning costs for existing assets in the Group's oil and gas operations, which are expected to be incurred between 2010 and 2021. These provisions have been generated based on the Group's internal estimates, and where available, studies and analyses from external sources. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed periodically to take into account any material changes to those assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning work required at the time assets are decommissioned and abandoned. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates, which in turn is dependent upon future oil and gas prices that are inherently uncertain.

22. Obligations under operating lease contracts

	2008 $'000	2007 $'000
Minimum lease payments	383	473
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
Within one year	135	410
Between two and five years	182	1,270
More than five years	–	340
Total annual lease payments	317	2,020

The decrease on lease commitments was primarily due to cancellation of long-term office leases.

All commitments relate to land and buildings. There are no lease agreements where the Group is a lessor.

23. Financial Instruments

Financial instruments – Risk Management

The Group is exposed through its operations to the following risks:

- Credit risk
- Market risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Trade and others receivables
- Cash and cash equivalents
- Short term deposits
- Trade and other payables
- Convertible loan notes

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Finance Director through which it reviews the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterpart to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. The Group's review includes external credit ratings, when available. Potential customers that fail to meet the Group's benchmark credit worthiness may transact with the business on a prepayment basis only.

Credit risk also arises from cash and cash equivalents, and deposits with banks and financial institutions. The Group's cash deposits are only held in banks and financial institutions which are independently-rated with a minimum grading of "A".

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Notes to the financial information continued

For the twelve months ended 31 December 2008

23. Financial Instruments continued

The Group monitors the utilisation of credit ratings and available credit evaluation information as appropriate and at the reporting date does not envisage any losses from non-performance of counterparties, other than the provision created in relation to the unitisation negotiations and the related receivable (see Note 15).

Market risk

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group does not consider itself exposed to cash flow interest rate risk from its borrowings in the form of convertible loan notes or short term loans, both of which carry fixed interest rates within the terms of the agreements. Through the fixing the interest rates within the agreements the Company considers it has minimised the exposure of the Group to cash flow interest rate risk. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Board.

Interest rates on financial assets and liabilities

The interest rate profile of the Group's financial assets and liabilities at 31 December 2008 was as follows:

US Dollar equivalent of:	US Dollar $'000	Colombian Peso $'000	Peruvian nuevo Sol $'000	Pound Sterling $'000	Total $'000
Cash at bank at floating interest rate	3,056	493	–	28	3,578
Cash at bank on which no interest is received	1,642	–	1	10	1,653
Fixed rate debt	(16,401)	–	–	–	(16,401)
Net (debt)/cash	**(11,703)**	**493**	**1**	**38**	**(11,170)**

The profile at 31 December 2007 for comparison purposes was as follows:

US Dollar equivalent of:	US Dollar $'000	Colombian Peso $'000	Peruvian nuevo Sol $'000	Pound Sterling $'000	Total $'000
Cash at bank at floating interest rate	5,950	361	–	94	6,405
Cash at bank on which no interest is received	22	7	4	(5)	28
Fixed rate debt	(16,122)	–	–	–	(16,122)
Net (debt)/cash	**(10,150)**	**368**	**4**	**89**	**(9,689)**

Cash at bank at floating rates consisted of demand deposits and money market investments subject to floating rates which vary from 2% to 5%.

The Group has no floating rate debt. Fixed rate debt consists of obligations under finance agreements of one year or less and convertible loan notes with rates fixed in advance for periods longer than three months. The average interest rate on these contracts for the year is 5.96% (2007: 5.96%).

23. Financial Instruments continued

Interest rate sensitivity analysis

At 31 December 2008, the Group had net cash totalling $3.6m (2007: $6.4m) in financial assets with floating interest rates, which averaged 3.5% (2007: 2.9%) return on investment. As required by IFRS 7, the Group has estimated the interest rate sensitivity on year-end balances and determined that a two percentage point increase or decrease in the interest rate earned on floating rate deposits would have caused a corresponding increase or decrease in net income in the amount of $72,000 (2007: $64,000).

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose local operational currency is not the same as the functional currency of the Group. Although its wider market penetration reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on translation into US Dollars. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their operational currency and that surplus funds over and above working capital requirements should be transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board, through their approval of capital expenditure budgets and review of the monthly management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the exchange rates of those currencies utilised by the Group:

Foreign currency units to $1.00 US Dollar	Colombian Peso	Peruvian nuevo Sol	Pound Sterling
At 31 December 2008	**2,243**	**3,137**	**0.6906**
At 31 December 2007	2,014	2.994	0.5007

Currency exposures

The monetary assets and liabilities of the Group that are not denominated in US Dollars and are therefore exposed to currency fluctuations are shown below. The amounts shown represent the US Dollar equivalent of local currency balances.

US Dollar equivalent of exposed net monetary assets and liabilities	Colombian Peso $'000	Peruvian nuevo Sol $'000	Pound Sterling $'000	Total $'000
At 31 December 2008	(1.780)	101	38	(1,641)
At 31 December 2007	(1,725)	65	89	(1,571)

The year on year fluctuation in Colombian Peso denominated balances is attributed primarily to accrued liabilities and VAT taxes payable (see Note 19).

Foreign currency sensitivity analysis

The Group is mainly exposed to currency rate fluctuations of the Colombian Peso versus the US Dollar, and measures its foreign currency risk through a sensitivity analysis considering 10% favourable and adverse changes in market rates on exposed monetary assets and liabilities denominated on Colombian Pesos. At 31 December 2008, a 10% devaluation of the Peso against the US Dollar would have resulted in translation gains of $162,000 (2007: gains of $157,000), and a 10% revaluation of the Peso against the US Dollar would have resulted in a loss of $178,000 (2007: loss of $122,000).

Price risk

The most significant component of market risk affecting the Group is the market price of the crude oil, specifically the WTI crude prices which is the source reference price in Global's crude sales contracts.

Crude oil price sensitivity analysis

A sensitivity analysis based on a 50% price volatility assumption is used internally by Management to estimate the potential impact of variations in crude oil market prices. As at 31 December 2008, a 50% increase in the average sales price obtained during the year would have increased revenues and equity by $16.4m (2007: $2.7m) and a 50% decrease in the average sales price would have reduced revenues and equity by $10.9m (2007: $2.5m).

Notes to the financial information continued

For the twelve months ended 31 December 2008

23. Financial Instruments continued

Liquidity risk

Liquidity risk arises from Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group seeks to maintain cash balances (and agreed facilities) to meet expected requirements for a period of at least 45 days. The Group also seeks to reduce liquidity risk by fixing interest rates on, and hence cash flows relating to, its long-term borrowings.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating most recent balance sheet information (updated monthly) with the business plan and current year budget and management forecast of benchmark oil prices. The group performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Board receives rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances and Group performance against budget. At the balance sheet date, these projections indicate that the Group expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances and will not need to draw down on its agreed overdraft facilities.

The following tables illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross based, where relevant, on balance sheet interest rates and exchange rates prevailing at the balance sheet date.

Maturity analysis of the financial liabilities is as follows:

Analysis of current liabilities	2008 $'000	2007 $'000
Up to 3 months	4,133	3,989
3 to 6 months	551	78
Over 6 months	1,893	156
Total	6,577	4,223

Analysis of debt	2008 $'000	2007 $'000
Debt can be analysed as falling due:		
Within one year or on demand	1,062	1,062
Between one and two years	1,239	1,062
Between two and five years	20,179	3,890
In five years or more	–	17,701
	22,480	23,715

Capital management policies

The Board has established guidelines and policies for the management of the Group's capital resources, including shareholder equity and debt, based on a long-term strategy that continually evaluates and monitors the achievement of corporate objectives and the development of the Group's portfolio in core areas. Specific capital management policies set forth include the following:

- The reinvestment of all profits into new and existing assets that fit the corporate objectives;
- Consolidation of positions in developing regions and disposition of assets of low materiality or where meaningful operational influence cannot be achieved;
- To identify the appropriate mix of debt, equity and partner sharing opportunities in order to balance the highest returns to shareholders overall with the most advantageous timing of investment flows;
- To hire and maintain highly qualified employees through effective manpower management processes, including compensation and benefit programs in concert with ongoing training and motivational programmes;
- Retain maximum flexibility to allocate capital resources between exploration and appraisal, and production and development projects based on available funds and quality of opportunities.

On a monthly basis, management receives financial and operational performance reports that enable continuous management of assets, liabilities and liquidity. In addition, management communicates frequently with the Board of Directors to provide consistent information and data flow to ensure the opportunities to evaluate and measure the achievement of objectives.

The above policies and practices are consistent with strategies and objectives employed in prior years and are expected to remain consistent in the extension of future resource allocation objectives.

24. Share based payments

The Company's mid-market closing share price at 31 December 2008 was 67.5p (31 December 2007: 83.5p). The highest and lowest mid-market closing share prices during the year were 129.0p (2007: 140.0p) and 65.0p (2007: 82.5p) respectively.

The options are granted to employees and vest conditionally upon their employment with the company evenly over a three year vesting period, exercise of the vested options is conditional upon the individual being employed by the company at the date of exercise.

The fair values of awards granted under the Group's option plan have been calculated using a variation of a binomial option pricing model that takes into account factors specific to share incentive plans such as the vesting periods, estimated share price volatility, the expected dividend yield on the Company's shares and expected exercise of share options. The following principal assumptions were used in the valuation:

Grant date	Share price at date of grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Employee turnover
3 Dec 2004	151.1p	151.1p	36.73%	3 Dec 2014	0%	4.645%	3.7 years
8 Dec 2005	265.1p	265.1p	33.02%	8 Dec 2015	0%	4.226%	3.3 years
13 Sep 2006	174.5p	174.5p	40.68%	13 Sep 2016	0%	4.568%	4.3 years
13 Jun 2007	85.7p	85.7p	30.99%	13 Jun 2017	0%	5.416%	4.0 years
11 Feb 2008	82.4p	100.0p	53.14%	11 Feb 2018	0%	4.492%	4.2 years
15 Jul 2008	113.3p	113.3p	53.14%	15 Jul 2018	0%	5.165%	3.0 years
11 Dec 2008	67.5p	70.0p	55.63%	11 Dec 2018	0%	4.492%	3.8 years

Volatility has been based on a Volatility Cone calculation model using the historic share price two years prior to each grant date and assigning a probability weighting. Volatilities were selected between the median and the 75th percentile calculations.

Based on above assumptions the fair values of the options granted are estimated to be:

Grant date	Fair value
3 Dec 2004	51p
8 Dec 2005	76p
13 Sep 2006	66p
13 Jun 2007	28p
11 Feb 2008	47p
15 Jul 2008	46p
11 Dec 2008	32p

Expense arising from share-based payments:
Based on the above fair values and the Company's expectations of employee turnover, the expense arising from equity-settled share options and share awards made to employees was $165,000 for the period (2007: $480,000). There were no other share-based payment transactions.

Details of the Directors' interests in the ordinary shares of the Company and options over ordinary shares are set out below:

	As at 31 December 2008		As at 1 January 2008	
	Ordinary shares	**Options**	Ordinary shares	Options
Mikel Faulkner	**178,000**	**1,890,000**	150,000	1,580,000
Stephen Voss	**24,349**	**1,200,000**	24,349	990,000
Stephen Newton	**–**	**250,000**	–	–
Alan Henderson	**9,421**	**180,000**	9,421	80,000
David Quint	**47,428**	**150,000**	47,428	50,000
Lord Freeman	**5,000**	**140,000**	5,000	40,000

All the holdings are beneficially held.

No Director exercised any options during the year.

Notes to the financial information continued

For the twelve months ended 31 December 2008

25. Capital commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2008 $'000	2007 $'000
Rio Verde (Colombia) – Drilling of one exploratory well	3,800	3,170
Block 95 (Peru) – Seismic Acquisition programme	2,000	9,000
Garachine (Panama) – Seismic reprocessing	252	252
Total	6,052	12,422

26. Related party disclosures

David Quint is a Director of the Company and a director of RP&C International Ltd. RP&C International Ltd. provided certain corporate finance services during 2007 and 2008.

	Services provided 2008 $'000	Amounts owed from/ (to) related parties as at 31 December 2008 $'000	Services provided 2007 $'000	Amounts owed from/ (to) related parties as at 31 December 2007 $'000
RP&C International Ltd.	26	–	17	–

Compensation paid to key management personnel including Directors, Executive Directors and senior management is disclosed on note 6.

27. Contingent liability

During the period the group elected to benefit from a tax deduction on eligible capital expenditure totalling $7million (2007: $Nil). The tax deduction reverses upon the sale of the qualifying asset, as at the year end the directors' do not expect that such a disposal is probable. To the extent that, on a pro rata basis, the deduction hasn't been earned within a 10 year time limit, a pro rata tax charge will be recognised.

28. Post balance sheet events

On 16 April 2009, the Company accepted all the conditions of an amendment to the Colombian Rio Verde contract whereby Phases IV and V are collapsed into one phase ending May 2010, therefore, substituting the need to drill a well by May 2009. Under the revised confirmed terms, by May 2010 the Company must now acquire approximately US$4.0 million of mostly 3D seismic and drill an exploratory well.

Company accounts

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Directors' report

For the year ended 31 December 2008

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2008.

Principal activity
The principal activity of the Company is to act as a holding company for the subsidiary companies engaged in oil and gas exploration, development and production activities. The Company is integral to the Group in its role of providing corporate planning, management expertise to subsidiaries, shareholder relations and capital management.

Review of the business and future prospects
The Company results for the year and the financial position as at 31 December 2008 are deemed satisfactory by the Directors, and the Directors consider that the Company will continue in its historical role as the ultimate parent company, utilizing its services to continue to review the Company's investment portfolio to ensure the Group maximizes shareholder returns.

Results and dividends
In accordance with the provisions of section 230 Companies Act 1985 the Company has elected not to present a profit and loss account.

The loss for the year was $6,062,000 (2007: $5,586,000)

The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2008 (2007: $nil).

Directors
The Directors of the Company who served during the year up to and including the year end were as follows:

Mikel Faulkner – Executive Chairman
Stephen Voss – Vice Chairman (Previously Managing Director; Appointed Vice Chairman 7 March 2008)
Stephen Newton – Managing Director (Appointed Managing Director 12 February 2008 and as Executive Director 7 March 2008; Resigned 31 January 2009)
Alan Henderson – Non-Executive Director
David Quint – Non-Executive Director
Lord Freeman – Non-Executive Director

Details of the Directors' interests in the ordinary shares of the Company and options over ordinary shares are set out below:

	As at 31 December 2008		As at 1 January 2008	
	Ordinary shares	Options	Ordinary shares	Options
Mikel Faulkner	178,000	1,890,000	150,000	1,580,000
Stephen Voss	24,349	1,200,000	24,349	990,000
Stephen Newton	–	250,000	–	–
Alan Henderson	9,421	180,000	9,421	80,000
David Quint	47,428	150,000	47,428	50,000
Lord Freeman	5,000	140,000	5,000	40,000

All the holdings are beneficially held.

No Director exercised any options during the year.

No Director had any interest in the shares of the subsidiary undertakings or any other Group undertakings.

There are no warrants in the Company outstanding.

There were no contracts existing during, or at the end of the year, in which a Director was or is materially interested.

Pensions
The Company does not operate a pension scheme for Directors or employees.

Directors' remuneration

The Directors' remuneration was as follows:

	Total 2008 $'000	Total 2007 $'000
Executives[1]		
Mikel Faulkner	460	182
Stephen Voss	458	312
Stephen Newton	354	–
Guillermo Sanchez[2]	–	277
Non-executives[3]		
Alan Henderson	72	40
David Quint	72	40
Lord Freeman	77	40
Total	1,493	891

1 Amounts paid represent salaries paid to Executive Directors.
2 Amount paid includes severance payments of $75,000.
3 Amounts paid represent fees for services as Non-executive Directors.

See Note 6 of the Group accounts for further details of directors' remuneration.

Employees' health and safety

It is the policy of the Company to consider the health and welfare of employees by maintaining a safe place and system of work.

Creditor Payment Policy and Practice

The Company agrees terms of contracts when orders are placed and on entering exploration projects. It is the Company's policy that payments to suppliers are made in accordance with the agreed terms and conditions, provided all trading terms and conditions have been complied with. At 31 December 2008 the Company had an average of 30 days (2007: 24 days) purchases outstanding.

Political and Charitable Contributions

During the year, the Group made charitable contributions to The Children's Vision International, a non-profit foundation in Colombia of $15,000 (2007: $10,000), and to Raft International, Ltd, a non-profit organisation in the United Kingdom of $15,800 (2007: $14,400).

Post Balance Sheet Events

There are no post balance sheet events to be disclosed other than those noted in note 29 of the Group accounts.

Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Acts 1985 and 2006 (as applicable).

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Company in accordance with UK Generally Accepted Accounting Practice.

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

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' report continued

For the year ended 31 December 2008

Auditors

In accordance with the Companies Act 2006, a resolution for the reappointment of BDO Stoy Hayward LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are not aware.

By order of the Board

Mikel Faulkner
Executive Chairman

20 April 2009

Stephen Voss
Vice Chairman

20 April 2009

Global Energy Development PLC
26 Dover Street
London W1S 4LY
UK

Independent Auditors' report to the shareholders of Global Energy Development PLC

We have audited the Company financial statements (the 'financial statements') of Global Energy Development PLC for the year ended 31 December 2008 which comprise the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Global Energy Development PLC for the year ended 31 December 2008.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report only. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008; and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion, the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London W1U 7EU
UK

20 April 2009

Company balance sheet

As at 31 December 2008

	Note	2008 $'000	2007 $'000
Fixed assets			
Tangible assets	4	**207**	352
Investment in subsidiaries	5	**19,288**	26,701
		19,495	27,053
Current assets			
Deferred tax assets	6	**150**	104
Debtors	7	**37**	102
Short-term deposit	8	**167**	200
Cash at bank and in hand	9	**3,223**	777
		3,577	1,183
Creditors: amounts falling due within one year	10	**(3,442)**	(3,096)
Net current assets/(liabilities)		**135**	(1,913)
Total assets less current liabilities		**19,630**	25,140
Non current liabilities			
Convertible loan notes	12	**(16,197)**	(15,810)
Net assets		**3,433**	9,330
Capital and reserves			
Called up share capital	13	**539**	539
Share premium account	15	**26,439**	26,439
Other reserve	15	**1,826**	1,826
Profit and loss account	15	**(25,371)**	(19,474)
Shareholder's funds		**3,433**	9,330

These financial statements were approved by the Board of Directors and authorised for issue on 20 April 2009 and were signed on its behalf by

Mike D Faull

Mikel Faulkner
Executive Chairman

20 April 2009

Stephen Voss
Vice Chairman

20 April 2009

Global Energy Development PLC
26 Dover Street
London W1S 4LY
UK

The notes on pages 51 to 58 form an integral part of these financial statements.

Notes to the financial information

For the twelve months ended 31 December 2008

1. Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and UK Generally Accepted Accounting Principles (UK GAAP). The following paragraphs describe the main accounting policies under UK GAAP, which have been applied consistently.

In accordance with the provisions of section 230 of the Companies Act 1985, the Profit and Loss Account of the Company is not presented separately.

Changes in accounting policies

There have been no changes in accounting policies adopted during the year.

Investments

Fixed asset investments in subsidiaries are included in the accounts at cost less provision for impairment.

Tangible assets

Depreciation is charged on fixed assets so as to write off the cost, less estimated residual value, on a straight-line basis over their useful lives of between three and five years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax, including UK Corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivables; and
- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Convertible debt

In accordance with FRS 25, the Company has classified the convertible debt in issue as a compound financial instrument. Accordingly, the Company presents the liability and equity components separately on the balance sheet. The classification of the liability and equity components is not reversed as a result of a change in the likelihood that the conversion option will be exercised. No gain or loss arises from initially recognising the components of the instrument separately. Interest on the debt element of the loan is accreted over the term of the loan. Costs associated with the raising of debt are set off against the gross value of monies received.

Share based payments

The Company has applied the requirements of FRS20 'Share-based payments', reflecting the economic cost of awarding shares and share options to employees and directors by recording an expense in the profit and loss equal to the fair value of the benefit awarded. The expense is recognised in the profit and loss over the vesting period of the award.

Fair value is measured by use of a binomial model which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Pension costs

The Company contributes to a defined contribution scheme. Contributions are charged to the profit and loss account as they become payable.

Notes to the financial information continued

For the twelve months ended 31 December 2008

1. Accounting Policies continued

Foreign currencies

The functional currency of Global Energy Development PLC is the US Dollar. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange gains or losses on translation are included in the profit and loss account.

Leases

Operating leases and the corresponding rental charges are charged to the profit and loss on a straight-line basis over the life of the lease. Assets under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful lives. Capital value is defined as the amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments consist of capital and finance charge elements; the finance charge element is charged to the profit and loss account.

2. Operating profit

	2008 $'000	2007 $'000
Operating profit is stated after charging:		
Staff Costs (see Note 3)	2,590	2,736
Office lease costs	197	358
Shareholder relations expenses	458	310
Insurance expense	25	155
Depreciation	123	125
Auditor's fees	15	30

The Company audit fee for the year is $15,000 (2006: $30,000).

3. Staff costs

	2008 $'000	2007 $'000
Wages and salaries	2,289	1,759
Social security costs and other payroll taxes	112	191
Insurances and other benefits	187	186
Other pension costs – defined contribution	29	45
Severance payments	–	75
Share based payments (Note 14)	165	480
Total employee costs	2,782	2,736

At 31 December 2008, all staff costs of Company employees are included in the Company accounts.

The average number of Company employees (including executive directors) was:

	2008 $'000	2007 $'000
Management and administrative	8	8
Total Company employees	8	8

The disclosures relating to the Director's remuneration for the current and prior year, as well as share holdings and share options interests are included in the Directors' report on pages 46 and 48.

4. Property, plant and equipment

	Office equipment and other $'000	Total $'000
Cost:		
At 1 January 2008	1,178	1,178
Disposals	(27)	(27)
At 31 December 2008	**1,151**	**1,151**
Depreciation:		
At 1 January 2008	(826)	(826)
Provided during the year	(123)	(123)
Disposals	5	5
At 31 December 2008	**(944)**	**(944)**
Net book value at 31 December 2008	**207**	**207**
Net book value at 31 December 2007	352	352

5. Investments in Subsidiaries

	$'000
At 1 January 2008	26,701
Reductions	(7,413)
At 31 December 2008	**19,288**

Included within investments in subsidiaries are intergroup loans. The reduction in investments in subsidiaries is primarily related to cash proceeds on intergroup loans from Colombia operations transferred to the Company and used to fund Company expenses.

The principal subsidiary undertakings in which the Company's interest at the year end is equal to or more than 50% are as follows (these undertakings are included on consolidation):

Held directly	Country of incorporation	Class of share capital held	Proportion held by the company
Harken de Colombia	Cayman Islands	Ordinary	100%
Harken de Colombia Holdings, Ltd.	Cayman Islands	Ordinary	100%
Harken de Colombia II, Ltd.	Cayman Islands	Ordinary	100%
Harken de Colombia III, Ltd.	Cayman Islands	Ordinary	100%
Harken South America, Ltd.	Cayman Islands	Ordinary	100%
Harken de Peru Holdings, Ltd.	Cayman Islands	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Harken de Panama Holdings, Ltd.	British Virgin Islands	Ordinary	100%
Harken de Panama, Ltd.	British Virgin Islands	Ordinary	100%
Global Energy Management Resources, Inc.	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above:

Harken de Colombia Ltd.	Colombian Branch	Indirect holding	100%
Harken de Colombia II, Ltd.	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%
Harken de Panama, Ltd.	Panamanian Branch	Indirect holding	100%

All of the above companies and branches are engaged in oil and gas exploration.

Notes to the financial information continued

For the twelve months ended 31 December 2008

6. Deferred taxation

	Timing differences $'000	Deferred tax asset $'000	2008 Deferred tax charges/ (Credits)
As at 1 January 2008	371	104	–
Movement in timing differences	166	46	(46)
As at 31 December 2008	**537**	**150**	–

Timing differences reflect the difference between tax basis and net book carrying values of office equipment and miscellaneous assets described in Note 4.

7. Debtors

	2008 $'000	2007 $'000
Other debtors	**14**	47
Prepayments	**23**	55
	37	102

All amounts fall due for payment within one year.

8. Short-term investments

	2008 $'000	2007 $'000
Dollar denominated investments	**167**	200

The Company has established US Dollar denominated Certificates of Deposit with restricted access and varying maturity dates as guarantees for Letters of Credit required for performance assurance on oil and gas fields and office rental contracts. At 31 December 2008, the Company maintained one Certificate of Deposit totalling $100,000 (2007: $100,000) supporting oil and gas fields and one Certificate of Deposit in the amount of $67,000 (2007: $100,000) supporting one office rental contract. There are no material differences between the carrying amounts of the financial assets and their fair values.

9. Cash at bank and on hand

	2008 $'000	2007 $'000
Cash in bank and on hand	**3,223**	777

All cash balances constitute demand deposits or short term investments available at call and held in US Dollars and British pounds Sterling.

10. Creditors: falling due within one year

	2008 $'000	2007 $'000
Trade creditors	**171**	26
Amounts owed to subsidiaries	**2,348**	2,348
Accrued liabilities	**719**	410
Short term loans payable	**204**	312
	3,442	3,096

Trade creditors reflect balances owed on invoices received from vendors and contractors related to active projects in progress at the end of each period. Accrued liabilities reflect amounts due to vendors and contractors but for which no invoices were received by year-end. The increase in trade creditors and accrued liabilities was primarily related to Colombia activities to be paid in US Dollars on behalf of the subsidiary.

11. Creditors: falling due in more than one year

	2008 $'000	2007 $'000
Convertible loan notes (see note 12)	**16,197**	15,810

12. Convertible loan notes

	2008 $'000	2007 $'000
Balance bought forward	**15,810**	15,425
Accreted interest	**387**	385
Balance carried forward	**16,197**	15,810

On 8 December 2006, the Company entered into a fixed-rate loan agreement for $11,903,000 in convertible notes ("2006 loan notes"). Unless previously redeemed, converted or purchased and cancelled, the notes are repayable in full on 8 December 2012. If the Company redeems the loan notes prior to 8 December 2009, an early redemption penalty of 8% on the outstanding balance is payable.

A portion of the previous loan notes from the loan agreement entered into on 30 October 2005 ("2005 loan notes") was partly extinguished ($6,702,000) and re-invested in the 2006 loan notes. A balance of $5,798,000 in 2005 loan notes remains outstanding. The Group raised an additional $5,201,000 in cash from this financing transaction.

All loan notes incur an interest charge of 5% per annum for the first three years, 6% per annum for the next two years and thereafter an interest rate of 7%. Interest is payable quarterly. The effective interest rate is therefore 5.85%. Holders of the 2006 loan notes have the right to convert the outstanding amount (or part thereof) into ordinary shares at a fixed exchange rate of $1.90:£1 and at a fixed price of 179p at any time. Holders of the 2005 loan notes have the right to convert the outstanding amount (or part thereof) into ordinary shares at a fixed exchange rate of $1.78:£1 and at a fixed price of 305.8p at any time. The loan notes are not secured against any assets of any Group company. In accordance with the provisions of FRS25, the Company has determined the convertible loan note issue to be a compound financial instrument requiring a proportion of the loan to be classified as equity. The reclassified element represents the difference between the fair value of a similar liability with no equity conversion option and the fair value of the existing loan in current terms. Accordingly, an amount of $512,000 was reclassified to equity in 2006. Total costs incurred in raising the loan amounts in 2006 were $325,000 of which $32,000 was reclassified to equity. The remainder was debited against the carrying value of the notes. Accreted interest is charged to the profit and loss over the life of the notes. The effective interest rate is 5.96%.

13. Share capital

	2008 Number of shares	2008 $'000	2007 Number of shares	2007 $'000
Authorised				
Ordinary shares of 1p each	**70,000,000**	**1,071**	70,000,000	1,071
Unclassified shares of £1 each	**50,000**	**92**	50,000	92
Allotted, called up and fully paid				
Ordinary shares of 1p each	**35,328,428**	**539**	35,328,428	539

The ordinary shares confer the right to vote at general meetings of Global Energy Development PLC, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in Global Energy Development PLC's articles of association.

The ordinary shares also confer the right to receive dividends if declared by the directors and approved by the Company. The unclassified shares do not carry any rights.

Notes to the financial information continued

For the twelve months ended 31 December 2008

14. Share based payments

Discretionary share option incentive plan

The Company periodically grants share options to employees and Directors, as approved by the Board of Directors. At 31 December 2008 and 31 December 2007 the following share options were outstanding in respect of the ordinary shares:

Year ended 31 December 2008

Year of Grant	Number of shares	Issued in year	Lapsed	Exercised in year	Number of shares	Start date	End date	Price per share
2002	2,915,196	–	–	–	2,915,196	31.01.2002	31.01.2012	50.0p
2002	30,000	–	–	–	30,000	08.08.2002	08.08.2012	54.5p
2004	675,000	–	–	–	675,000	03.12.2004	03.12.2014	151.1p
2005	180,000	–	(50,000)	–	130,000	08.12.2005	08.12.2015	265.1p
2006	325,000	–	(325,000)	–	–	13.09.2006	13.09.2016	174.5p
2007	200,000	–	(150,000)	–	50,000	13.06.2007	13.06.2017	85.7p
2008	–	825,000	(150,000)	–	675,000	11.02.2008	11.02.2018	100.0p
2008	–	100,000	–	–	100,000	15.07.2008	15.07.2018	113.3p
2008	–	710,000	–	–	710,000	11.12.2008	11.12.2018	70.0p
Total	4,325,196	1,635,000	(675,000)	–	5,285,196			

Year ended 31 December 2007

Year of Grant	Number of shares	Issued in year	Lapsed	Exercised in year	Number of shares	Start date	End date	Price per share
2002	2,915,196	–	–	–	2,915,196	31.01.2002	31.01.2012	50.0p
2002	30,000	–	–	–	30,000	08.08.2002	12.08.2012	54.5p
2004	675,000	–	–	–	675,000	03.12.2004	03.12.2014	151.1p
2005	240,000	–	(60,000)	–	180,000	08.12.2005	08.12.2015	265.1p
2006	325,000	–	–	–	325,000	13.09.2006	13.09.2016	174.5p
2007	–	200,000	–	–	200,000	13.06.2007	13.06.2017	85.7p
Total	4,185,196	200,000	(60,000)	–	4,325,196			

The Company's mid-market closing share price at 31 December 2008 was 67.5p (31 December 2007: 83.5p). The highest and lowest mid-market closing share prices during the year were 129.0p (2007: 140.0p) and 65.0p (2007: 82.5p) respectively.

The options are granted to employees and vest conditionally upon their employment with the company evenly over a three year vesting period, exercise of the vested options is conditional upon the individual being employed by the company at the date of exercise.

14. Share based payments continued

The fair values of awards granted under the Group's option plan have been calculated using a variation of a binomial option pricing model that takes into account factors specific to share incentive plans such as the vesting periods, estimated share price volatility, the expected dividend yield on the Company's shares and expected exercise of share options. The following principal assumptions were used in the valuation:

Grant date	Share price at date of grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Employee turnover
3 Dec 2004	151.1p	151.1p	36.73%	3 Dec 2014	0%	4.645%	3.7 years
8 Dec 2005	265.1p	265.1p	33.02%	8 Dec 2015	0%	4.226%	3.3 years
13 Sep 2006	174.5p	174.5p	40.68%	13 Sep 2016	0%	4.568%	4.3 years
13 Jun 2007	85.7p	85.7p	30.99%	13 Jun 2017	0%	5.416%	4.0 years
11 Feb 2008	82.4p	100.0p	53.14%	11 Feb 2018	0%	4.492%	4.2 years
15 Jul 2008	113.3p	113.3p	53.14%	15 Jul 2018	0%	5.165%	3.0 years
11 Dec 2008	67.5p	70.0p	55.63%	11 Dec 2018	0%	4.492%	3.8 years

Volatility has been based on a Volatility Cone calculation model using the historic share price two years prior to each grant date and assigning a probability weighting. Volatilities were selected between the median and the 75th percentile calculations.

Based on above assumptions the fair values of the options granted are estimated to be:

Grant date	Fair value
3 Dec 2004	51p
8 Dec 2005	76p
13 Sep 2006	66p
13 Jun 2007	28p
11 Feb 2008	47p
15 Jul 2008	46p
11 Dec 2008	32p

Expense arising from share-based payments:

Based on the above fair values and the Company's expectations of employee turnover, the expense arising from equity-settled share options and share awards made to employees was $165,000 for the period (2007: $480,000). There were no other share-based payment transactions.

Notes to the financial information continued

For the twelve months ended 31 December 2008

15. Movement on reserves

	Share premium account $'000	Profit and loss account $'000	Other reserve $'000
At 1 January 2008	26,439	(19,474)	1,826
Retained (loss) for financial year	–	(6,062)	–
Share based payment	–	165	–
At 31 December 2008	**26,439**	**(25,371)**	**1,826**

16. Contingent liabilities

The Company did not have any contingent liabilities in either 2007 or 2008.

17. Reconciliation of movements in shareholders' funds

Company	2008 $'000	2007 $'000
Loss for financial year	**(6,062)**	(5,586)
Increase in option reserve	**165**	480
Opening shareholder's funds	**9,330**	14,436
Closing shareholder's funds	**3,433**	9,330

18. Related party disclosures

David Quint is a Director of the Company and a director of RP&C International Ltd. RP&C International Ltd. provided certain corporate finance services during 2007 and 2008.

	Services provided 2008 $'000	Amounts owed from/ (to) related parties as at 31 December 2008 $'000	Services provided 2007 $'000	Amounts owed from/ (to) related parties as at 31 December 2007 $'000
RP&C International Ltd.	**26**	**–**	17	–

19. Post balance sheet events

There are no post balance sheet events to be disclosed.

Corporate Directory

Directors
Mikel Faulkner (Executive Chairman)
Stephen Voss (Vice Chairman)
Lord Freeman (Non-executive Director)
Alan Henderson (Non-executive Director)
David Quint (Non-executive Director)

Secretary
Catherine Miles

Registered office
26 Dover Street
London W1S 4LY
UK

Web page
www.globalenergyplc.com

Email
GED-info@globalnet.co.uk

Registered in England No. 4330608

Company Advisers

Nominated Adviser and Broker
Matrix Corporate Capital LLP
One Vine Street
London W1J 0AH
UK

Auditors
BDO Stoy Hayward LLP
55 Baker Street
London W1U 7EU
UK

Registrars
Capita Registrars
Northern House
Woodsome Park, Fenay Bridge
Huddersfield HD8 0GA
UK

Independent Petroleum Engineers
Ralph E. Davis Associates, Inc.
1717 St. James Place, Suite 460
Houston
Texas 77056
USA

Solicitors
Norton Rose LLP
3 More London Riverside
London SE1 2AQ
UK

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United Kingdom Registered Office
Global Energy Development PLC
26 Dover Street
London
W1S 4LY
UK
Email: GED-info@globalnet.co.uk
Registered in England No. 4330608

United States Office
Global Energy Development PLC
23501 Cinco Ranch Boulevard
Suite G270
Katy
Texas 77494
USA

Colombia Office
Harken de Colombia Ltd
Calle 113 Nro. 7-21
Piso 10 Edificio Teleport
Bogotá
Colombia

www.globalenergyplc.com