

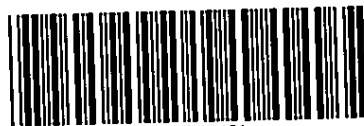
# **Global Energy Development PLC**

## **Report and Financial Statements**

Year Ended  
31 December 2012

Company Number 04330608

THURSDAY



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Global Energy Development PLC is a petroleum production and development company focused in Colombia, South 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, developing and producing reserves.

**Business Review**

- 1 2012 Highlights
- 2 Regional Asset Summary
- 4 Chairman's Statement
- 5 Managing Director's Review of Operations
- 8 Corporate Strategy
- 10 Oil and Gas Reserves Information (unaudited)

**Corporate Governance**

- 11 Directors' Biographies
- 12 Corporate Governance Statement
- 14 Directors' Report
- 17 Corporate Social Responsibility
- 18 Statement of Directors' Responsibilities

**Financial Statements**

- 20 Independent Auditors' Report to the Members of Global Energy Development PLC
- 21 Consolidated Statement of Comprehensive Income
- 22 Consolidated Statement of Changes in Equity
- 23 Consolidated Statement of Financial Position
- 24 Consolidated Statement of Cash Flows
- 25 Notes to the Primary Financial Statements
- 56 Company Accounts
- 66 Corporate Directory

**Contracts**

The Company's balanced portfolio of contracts is within the country of Colombia and comprises a base of production, developmental drilling and recompletion opportunities. The Company held as at 26 March 2013 five contracts operated in Colombia.

**Reserves**

The independent petroleum engineers Ralph E. Davis Associates, Inc. ("RED") reported that as at 31 December 2012, proved plus probable ("2P") reserves net to the Company totalled 87.7 million barrels of oil equivalent ("BOE"), and proved plus probable plus possible ("3P") reserves net to the Company totalled 197.8 million BOE.

**AIM**

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

## 2012 Highlights

- Turnover increased to \$44.0 million (2011: \$43.1 million)
- Oil prices increased 3% averaging \$98 per barrel ("bbl") (2011: \$95 per bbl)
- Gross oil production decreased 5% to 492,000 bbls (2011: 519,000 bbls) due to certain down time of the Tilodirán 2 well
- Sales of oil volumes increased slightly at 454,943 bbls (2011: 444,657)
- Gross profit decreased to \$12.6 million (2011: \$15.0 million) due primarily to the delay in the completion of the Rio Verde 2 water disposal well
- Profit from sale of Block 95, net of tax, of \$810 thousand (2011: \$nil)
- Tax charge of \$3.7 million primarily relating to write-down of the value of the Company's deferred tax assets following enactment of Colombian Tax Law 1607 in December 2012
- Net loss of \$2.12 million (2011: net income of \$2.00 million) due primarily to higher water transportation costs and other operating expenses along with the non-cash tax effect of Colombian Tax Law 1607 passed in December 2012.

## Regional Asset Summary

The Company has been active in producing oil and developing assets in Colombia, South America for many years by identifying acreage previously held by international oil companies and then evaluating its potential using the extensive historical data available, in-house expertise, specialised technical consultants and the new technologies ranging from 3D seismic to horizontal drilling.

## Chairman's Statement

**"2012 saw record revenue from oil production from the Company's contract areas located within the Llanos Basin of Colombia "**

Development of the Company's 2P reserves in its Bolivar and Bocachico Association Contract areas within the Middle Magdalena Valley in Colombia, South America remains the Company's top priority for 2013. During 2012, the Company elected to engage a financial adviser in connection with a farm-out or other business transaction involving the Company's Bolivar Association Contract ("Bolivar") in order to accelerate production and to better exploit Bolivar's large reserve base. This targeted increase in drilling activity mandates the deployment of additional and substantial technical expertise and operating manpower to effectively undertake the management of this sizable shale oil development project. Interest has increased dramatically in shale oil generally throughout the entire international petroleum industry and specifically in the northern Middle Magdalena Valley Basin. The Company hopes to complete the partnering process in the second quarter of 2013 and is looking forward to working with an eventual partner selected to develop these significant oil assets.

The Company also demonstrated continued progress towards developing oil production from its Bocachico Association Contract through the testing efforts on the Torcaz 5 well. Although consistent oil production has not yet been achieved, the Company was able to demonstrate increased permeability of the reservoir formation through successful sanding with oil shows during the testing of Torcaz 5. The Company plans to address the challenge of moderating the sanding and enhancing oil production by modifying its completion approach in existing Torcaz wells during 2013.

2012 saw record revenue from oil production from the Company's contract areas located within the Llanos Basin of Colombia. Higher operating costs incurred were primarily a result of the water disposal and transportation costs from the Tilodirán field. While the Company was able to complete the existing Rio Verde 2 well during 2012 into a secondary recovery water injection well, final approval from the Colombian authorities to commence long-term water injection was not received until the fourth quarter of 2012. This delay led to increased operating costs during the majority of 2012. Following commencement of water injection at Rio Verde 2 in the fourth quarter of 2012, cost savings of approximately \$400 thousand per month began to be realised in late 2012 and continuing into 2013.

Lastly, 2012 saw the Company narrow its focus solely on its core assets within the country of Colombia through the sale of its remaining 40 per cent working interest of the Peruvian Block 95 Licence Contract for cash consideration of \$5.4 million with \$2 million received at closing and the remaining \$3.4 million net proceeds received in February 2013 following the completion of the assignment from Perupetro, Peru's national agency for hydrocarbons.

The Company's 2013 focus is on bringing in a strategic partner to accelerate the development of its Middle Magdalena reserves and on continuing with the improvement of its strong cash flow from operations from its oil production in the Llanos Basin. This combination should hasten the realisation of greater value to the Company and its shareholders in 2013 and the future.

**Mikel Faulkner**  
Chairman  
26 March 2013

# Managing Director's Review of Operations

## Operations

### Llanos Basin Production

In 2012, the Company anticipated higher gross production from its Llanos Basin properties due to strong production rates at the beginning of 2012 primarily from its Tilodirán wells (Tilodirán 2 and Tilodirán 3) within the Rio Verde Contract Area. Overall, gross oil production decreased by 5 per cent to 491,786 barrels ("bbl") in 2012 (2011: 519,653 bbls). The largest contributing factor to the shortfall in 2012 oil production was the downtime at the Tilodirán 2 well. Due to high levels of scale precipitation from Ubaque water previously intermingled with the Gacheta oil production in the Tilodirán 2 well, the electric submersible pump on Tilodirán 2 failed early in 2012 and failed twice again during the year due to Colombian national grid electrical system malfunctions. These factors required pump changes in the Tilodirán 2 well which resulted in downtime of approximately 140 days (38 per cent of the year) during 2012. Daily oil production from the Tilodirán 2 well averaged between approximately 250 and 275 barrels of oil per day ("bopd"). The effect of these pump replacements during the year played a key role in the Company's understanding of the effect of produced Ubaque water chemistry on scaling and other factors that were causing poor pump performance. All Ubaque formation production has been shut-off in the Tilodirán 2 well, and this should benefit long-term production performance of the Middle Gacheta reservoir in the Tilodirán field.

The Tilodirán 3 well is currently flowing naturally without requirement of lifting at rates between 700–800 bopd. In late 2012, the Company moved ahead to recompleting the existing Tilodirán 1 well in the Middle Gacheta. The well was previously recompleted in 2005 in the Massive Ubaque with preliminary successful results, but the water cut from the Ubaque eventually increased to 100 per cent. The Tilodirán 1 well was completed in early 2013 and has been placed on production with an initial producing rate of 40 bopd.

In regards to improving the profitability of our Llanos Basin operations, a key achievement for the Company was the successful recompletion of the existing Rio Verde 2 well into a secondary water injection well in the fourth quarter of 2012. The conversion was completed in July 2012 and short-term test results were submitted to the Colombian Ministry of Mines and Energy. Final approval for long-term injection was not received until October 2012. Following commencement of water injection in October 2012, water disposal and transportation costs have since decreased by approximately \$400 thousand per month. Water disposal costs previously represented the largest component of the Company's operating costs prior to the conversion of the Rio Verde 2 well. The Company plans to continue other operational improvements in 2013 such as reducing fuel costs by converting generators at the Tilodirán field from diesel to produced natural gas, completing the saltwater transfer line from the Tilodirán field to the Rio Verde 2 water injection well, and eliminating high road maintenance costs as a result of decreased trucking operations.

### Middle Magdalena Properties

Development plans for the Company's Bolívar field were delayed in 2012 while the Company engaged a financial adviser to pursue a farm-out of the Bolívar Contract Area. The Company believes that bringing in a strategic partner with technical expertise and financial resources will benefit and accelerate the overall pace of development of this reserve-rich property in the Middle Magdalena field in Colombia. This process is presently continuing and is hoped to be completed during the second quarter of 2013.

Bringing on increased production from our Torcaz field within the Bocachico Contract Area also remains a priority for the Company in 2013. As part of this strategy, the Company installed several types of abrasive-tolerant pumps in the existing Torcaz 5 well within the Bocachico Contract area in 2012 to re-establish oil (and sand) production and lift from the wellbore. During the testing phase of the pumps, successful sanding and oil shows were initiated. However, oil shows were interrupted due to periodic significant sand movement into the wellbore, which eventually overwhelmed the capacity of the pumps. As a result it became evident that a modified approach to partially apply conventional sanding restraints should be utilised to moderate initial heavy sand production and enhance oil production. The Company has ordered a newly-designed pump which should be received in the second quarter of 2013 and plans to commence recompletion operations on its straight-hole Torcaz 3 well upon delivery.

Although the Torcaz 5 was considered an initial setback, this was the first attempt at implementing such abrasives-tolerant technology at the Torcaz field and it is not surprising to see some short-term calibration and engineering issues at this early stage. The initial results are nevertheless encouraging and the Company believes that this process, in a modified form, can help to substantially accelerate production of the Company's reserves in the Torcaz field. The delay in accelerating the development plans at the Torcaz field had a tangible impact on the Company's year-end 2012 reserves report resulting in a loss of significant 2P reserves due to end of contract life effects. Therefore, it is critical for the Company to accelerate production efforts in the Torcaz field or face continued loss of reserves as the contract term draws closer.

## Financials

During 2012, the Company recorded increased turnover of \$44.0 million, 2 per cent higher than the prior year (2011: \$43.1 million) due to slightly higher realised average oil pricing of \$98 per bbl during the year (2011: \$95 per bbl). Net sales volumes remained steady with 454,943 bbls sold in 2012 (2011: 444,657 bbls) as the Company was able to liquidate certain crude oil inventory volumes on hand.

Cost of Sales increased by 12 per cent to \$31.5 million during the year (2011: \$28.1 million). The largest component of the Company's lease operating expenses of \$14.3 million during 2012 was water transportation and disposal costs which totalled \$3.9 million. The delayed final approval for the long-term water injection from the Colombian authorities until fourth quarter of 2012 led to overall higher water costs during the year than originally projected. Also contributing to the increased Cost of Sales were the derecognised costs of \$2.8 million during 2012 (2011: \$1.4 million) primarily related to the damaged pumps at the Tilodirán 2 well and the Torcaz 5 well. As a slight benefit, the Company experienced a 16 per cent decline in oil transportation costs during 2012 to \$5.9 million (2011: \$7.0 million) due to the ability to transport its Palo Blanco oil production (representing approximately 12 per cent of the Company's net production) via pipeline in lieu of trucking.

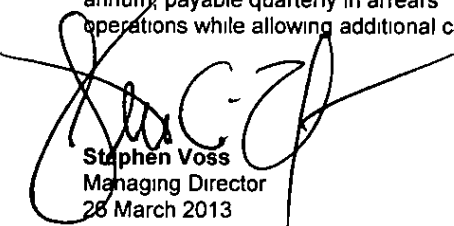
Based on overall increased Cost of Sales, gross profit was \$12.6 million, a decrease of \$2.4 million over the prior year. Administrative costs (including share-based expense and exchange rate costs) increased to \$7.9 million during 2012 against \$6.6 million in the prior year due primarily to the non-cash increase in share-based expense, higher foreign exchange expense and additional personnel costs. In an effort to

diminish future costs, the Company reduced personnel and has provided for non-routine severance costs in administrative costs in 2012. During 2012, the Company recorded a discount impairment in Other Expense of \$1.1 million against a long-term receivable from one partner of an association contract in Colombia.

Profit before taxation was \$760,000 (2011: \$5.9 million). Due to the issuance of Colombian Tax Law 1607 approved by Congress in December 2012, the Company recorded a one-time, non-cash charge of \$3.6 million in tax expense to reduce the valuation of the Company's deferred tax assets. The Tax Law included a provision which lowered the income tax from 33 per cent to 25 per cent but implemented a new income tax called a "CREE" tax of 9 per cent (decreasing to 8 per cent in 2016) which is not eligible for tax loss carry forwards. Otherwise, the long-term tax effect of the Tax Law is not expected to have a future material financial impact to the Company. The loss from continuing operations, net of tax, was \$2.9 million (2011: \$2.0 million profit). Profit from the Company's discontinued operations in Peru, net of tax, was \$810,000, therefore, net loss for 2012 was \$2.12 million (2011: \$2.0 million profit).

The Company generated cash flow from operations of \$9.3 million (2011: \$14.2 million) and expended \$8.7 million on capital projects primarily related to the conversion of the Rio Verde 2 into a secondary recovery injection well, the implementation of abrasives tolerant technology in its Torcaz 5 well and the efforts to eliminate scale precipitation from Ubaque formation production and improve overall production performance in the Tilodirán 2 well. The Company repaid and fully extinguished the remaining convertible notes outstanding of \$9.5 million with the securing of new financing of \$12 million. Proceeds of \$2.0 million were also received in 2012 from the sale of the Company's remaining working interest in the Peruvian Block 95 Contract.

In March 2013, the Group renegotiated its current debt obligations totalling \$17 million with HKN, Inc. to restructure into one new loan agreement with amortising payments due quarterly through 15 June 2015 at a slightly increased interest charge of 12.75 per cent per annum, payable quarterly in arrears. This restructuring permits the Company to repay its debt obligations through current cash flow from operations while allowing additional capacity for discretionary capital expenditures to develop its significant reserve base.



Stephen Voss  
Managing Director  
28 March 2013

## Corporate Strategy

The Company's principal goal is to maximise value for its shareholders through developing reserves and increasing oil production through strategic partnerships. In 2013, the Company is striving to narrow the difference between its market value compared to the value of its producing oil assets and 2P reserves

To accomplish this goal, the Company will focus on the following framework of objectives and activities to support its strategy

- Complete strategic partnership efforts and accelerate development of reserves of the Bolivar Contract Area
- Continue development efforts of production and reserves in the Bocachico Contract Area
- Enhance cash flow and profitability from Llanos Production Base

### Objective

Complete strategic partnership efforts and accelerate development of reserves in the Bolivar Contract Area

### Activity

Complete partnering process through third-party financial adviser

Re-enter existing wellbores and complete hydraulic fracturing pilot programme testing seeking high gravity oil and natural gas liquids

Complete development plan for further analysis and development drilling

Continue with development of production of Bocachico Contract Area reserves

Implement modified sand-control completion techniques on existing Torcaz wells to advance production from our reserve-rich Bocachico Contract Area (Torcaz field) and accelerate the field development drilling permitting process

Assess and evaluate options for strategic partnering in the Bocachico Contract Area

Enhance cash flow and profitability from Llanos Production Base

Complete sidetrack of Tilodirán #1 well to re-establish oil production

Maintain steady production levels from producing properties

Construct produced water transmission pipeline from Tilodirán field to Rio Verde #2 to eliminate water trucking costs

Reduce high diesel fuel costs and other operating costs to improve profitability

Replace high cost rental costs with purchased equipment



## Oil and Gas Reserves Information (unaudited)

### As at 31 December 2012

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 consistent with UK reporting purposes. In 2012, the Company also completed an additional reserve report reflecting the requirements of Canadian Form 51-101. 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 South America production and development area.

#### Estimated net proved and probable reserves of crude oil

	Proved South America Barrels (000s)	Probable South America Barrels (000s)	Total All Barrels (000s)
<b>At 1 January 2012</b>			
Developed	2,209	–	2,209
Undeveloped	41,919	74,179	116,098
	<b>44,128</b>	<b>74,179</b>	<b>118,307</b>
<b>Changes in year attributable to</b>			
Revision of previous estimates <sup>1</sup>	(3,927)	(26,193)	(30,120)
Production	(492)	–	(492)
<b>Developed</b>	<b>2,539</b>	<b>–</b>	<b>2,539</b>
<b>Undeveloped</b>	<b>37,170</b>	<b>47,986</b>	<b>85,156</b>
<b>At 31 December 2012</b>	<b>39,709</b>	<b>47,986</b>	<b>87,695</b>

<sup>1</sup> The overall decrease in reserve volumes is due primarily to the sale of the Company's interest in Block 95 in Peru, accelerated reversionary interest, end of contract life effects and minor field revision. Further delays in the development activities within the Bolivar and Bocachico Contracts Areas will result in future losses of 2P reserves due to end of contract life effects.

## Directors' Biographies

### **Mikel Faulkner Chairman (63)**

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 Programme, a member of the audit staff at Arthur Andersen & Co, a financial officer for American Quasar Petroleum, and at HKN, Inc, where he served as chairman from 1991 to 2003 and has been the chief executive officer since 1982.

### **Stephen Voss Managing Director (64)**

Stephen Voss received a Masters degree in Business Administration from Harvard University in June 1976 and a Bachelor 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 its predecessor companies since 1990, and currently serves as Managing Director. Stephen is a Member of SPE (Society of Petroleum Engineers) and is a Registered Professional Engineer in Texas.

### **Alan Henderson Non-executive Director (79)**

Alan Henderson is chairman of Smart Matrx Limited. He is a director of North One Garden Centre Limited and West Six Garden Centre Limited. He was previously chairman of Forum Energy PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC and Ranger Oil (UK) Ltd and a director of ADT Ltd and Ranger Oil Ltd.

### **David Quint Non-executive Director (62)**

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.

# Corporate Governance Statement

## Statement by the Directors on compliance with the UK Corporate Governance Code

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 UK Corporate Governance Code (formerly the Combined Code) published by the Financial Reporting Council in June 2010, all the Directors remain committed to high standards of corporate governance and consider that the Board progressively adopts best practices. The following sections describe how the Board has applied the principles of the UK Corporate Governance Code.

## The Workings of the Board and its Committees

### *The Board*

The Board comprises two Non-executive Directors and two Executive Directors. The Executive Directors are Mikel Faulkner, who serves as the Chairman of the Company, and Stephen Voss, who serves as the Company's Managing Director. There is a clear division of responsibility between the Chairman and Managing Director, with the Chairman being charged with the running of the Board, and the Managing Director with the running of the Company's operations, thus ensuring a balance of power and authority. The two Non-executive Directors are Alan Henderson and David Quint. 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 judgement in carrying out the responsibilities of such Directors. Although share option awards and long-term incentive grants have been made to the Non-executive Directors these are not considered to impact their independence. Details of the Directors' skills and experience are continued in the Directors' Biographies on page 11. 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 UK Corporate Governance 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 provide 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 David Quint, 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, 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, which is chaired by Alan Henderson, 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 Committee comprises only Non-executive Directors.

### *Relations with shareholders*

Communication with shareholders is conducted through correspondence, meetings, London Stock Exchange releases and the Company's website, [www.globalenergypic.com](http://www.globalenergypic.com).

### *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 reasonable but not absolute assurance against material misstatement or loss. In 2012, the Company conducted reviews of the effectiveness of its risk management and internal control systems and completed ongoing updates of the internal policies and procedures. 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

*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 periodic 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 Management. Reviews are carried out after the investment is complete and, for some projects, during the investment period, to monitor expenditure. Major overruns are investigated

# Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

## Principal activities and future developments

The principal activities of the Group are oil production and development in Colombia. Plans for future development are included in the Company's Corporate Strategy on page 8.

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Managing Director's Review of Operations on page 5. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group meets its day-to-day working capital requirements through internal cash flows and external financing (see note 35).

In March 2013 the Group renegotiated and restructured its existing current debt obligations into an amortising Note Payable with HKN, Inc ("HKN") for the principal amount of \$17 million (the "Note Payable"). The Note Payable is not convertible into shares and is subject to an interest charge of 12.75 per cent per annum, payable quarterly in arrears, with principal amounts being repayable in quarterly instalments beginning on 31 March 2013 and concluding on 15 June 2015. The Group's forecast and projections, taking account of reasonably possible changes in trading performance, indicate the Group should be able to repay its debt obligations due in 2013 and operate within the level of its internally generated cash flows. The Group's capital expenditures within Colombia are entirely discretionary in 2013 and can be modified at any time, if the need arises.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Business review

A full review of the Group's activities during the year, recent events, principal risks and uncertainties and expected future developments is contained within the Chairman's Statement on page 4, within the Managing Director's Review of Operations on page 5, and the Corporate Governance Statement on page 12, which form part of this report. The Group's primary key performance indicators for 2012 are:

- Turnover increased slightly to \$44.0 million (2011: \$43.1 million) due to margin increase in oil pricing.
- Annual gross production declined 5 per cent to 492,000 bbls (2011: 519,000 bbls).
- Annual sales volumes steady at 454,943 bbls (2011: 444,657 bbls) due to utilisation and sales of crude oil inventory.
- Gross profit decreased to \$12.6 million (2011: \$15.0 million) due primarily to increased operating costs from high water transportation/disposal costs. Following approval for long-term water injection in the fourth quarter of 2012, water costs declined by approximately \$400,000 per month.
- Administrative expenses increased slightly due to one-time severance costs to streamline and reduce personnel in the Bogotá branch office along with higher exchange rate costs and Colombian industry fees.
- Share-based expense increased due to the rise in the Company's share price in the fourth quarter of 2012 which enhanced the value of share-based options and grants.
- Profit from the sale of the Company's remaining working interest in Peruvian Block 95, net of tax, of \$810 thousand (2011: \$nil).
- Tax charge of \$3.7 million primarily relating to write-down value of the Company's deferred tax assets following enactment of Colombian Tax Law 1607 in December 2012.
- Net loss of \$2.12 million (2011: Net income of \$2.0 million) due primarily to the non-cash effect of the deferred tax charge of the new Colombian Tax Law 1607 and the impairment to the long-term Cajaro receivable.

## Business risk factors

There are risks and uncertainties that could affect our business. Oil price fluctuations in the market may adversely affect the results of our operations. Our profitability, cash flows and the carrying value of our oil properties are highly dependent upon the market prices of crude oil. Our future success depends on our ability to produce and develop oil reserves. To maintain the Group's current production levels, we must develop our oil reserves to replace those depleted by production. Without successful development activities, our reserves, production and revenues could decline. In addition, substantial capital is required to replace and grow reserves. If lower oil prices or operating constraints or production difficulties result in our cash flow from operations being less than expected, we may be unable to expend the capital necessary to develop our oil reserves. The oil production and development business is highly competitive. Many of our competitors in Colombia, including numerous major oil and gas exploration and production companies, have substantially larger financial resources, staff and facilities. The Group's business risks and uncertainties include, but are not limited to, the items previously described.

## Results and dividends

The Group's net loss on ordinary activities after taxation for the year amounted to \$2.12 million (Net income in 2011: \$2.0 million). The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2012 (2011: \$nil).

## Subsequent events

See note 35.

## Financial instruments

Note 29 on pages 48 to 51 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 2012.

## Directors

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

Mikel Faulkner	–	Chairman
Stephen Voss	–	Managing Director
Alan Henderson	–	Non-executive Director
David Quint	–	Non-executive Director

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 called and attended by the Directors of the Company during 2012 is provided below.

	Board Meetings	Audit Committee <sup>2</sup>	Remuneration Committee <sup>2</sup>	Total
Mikel Faulkner <sup>1</sup>	7	–	–	7
Stephen Voss	8	–	–	8
Alan Henderson	8	2	2	12
David Quint	8	2	2	12

<sup>1</sup> Mr Faulkner recused himself from one meeting of the Board of Directors with the other Directors authorising his recusal pursuant to Article 123 of the Company's Articles of Association.

<sup>2</sup> Only Non-executive Directors are entitled to attend the meetings of the Audit Committee and Remuneration Committee.

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 2012		As at 1 January 2012	
	Ordinary shares	Options	Ordinary shares	Options
Mikel Faulkner	350,000	1,890,000	235,250	1,890,000
Stephen Voss	333,068	1,200,000	113,068	1,200,000
Alan Henderson	14,527	150,000	14,527	150,000
David Quint	120,000	150,000	94,390	150,000
<b>Total</b>	<b>817,595</b>	<b>3,390,000</b>	<b>457,235</b>	<b>3,390,000</b>

All the holdings are beneficially held.

During 2011, Alan Henderson exercised options in respect of 10,765 ordinary shares. The gain made by Alan Henderson was \$14,412.

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law.

## Corporate social responsibility

The Group is fully committed to high standards of environmental, health and safety management (see page 17).

## Charitable and political contributions

In 2012 donations were made to a non-profit organisation in Colombia, Children's Vision International, of \$15,000. The Group made charitable donations in the prior year of \$45,835. No political donations were made and no political expenditures were incurred during the year (2011: \$nil).

## Supplier payment policy

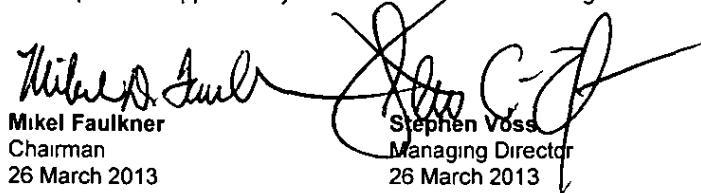
It is Group policy to settle all debts with suppliers on a timely basis and in accordance with the terms of credit agreed with each supplier.

Trade payables of the Group as at 31 December 2012 were equivalent to 60 days' purchases (2011: 63), 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 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.

This report was approved by the Board of Directors and signed on its behalf by

The image shows two handwritten signatures in black ink. The signature on the left is for Mikel Faulkner, and the signature on the right is for Stephen Voss. Both signatures are fluid and cursive.

**Mikel Faulkner**  
Chairman  
26 March 2013

**Stephen Voss**  
Managing Director  
26 March 2013

**Global Energy Development PLC**

3 More London Riverside  
London SE1 2AQ  
UK

# Corporate Social Responsibility

The Company is a petroleum production and development company with a long time principal focus in, and commitment to, Colombia, South America

The Group has been active in Colombia for approximately 22 years, and has strived throughout this time to be recognised not only as a leading and growing company in the hydrocarbon industries of this country but also one that maintains the highest standards in all areas of its operations

For the purposes of its operations in Colombia, the Company regularly reviews its internal policies and procedures in all areas paying special attention to Community Relations, Integrity and Business Conduct, Health and Safety, Environmental Issues, and Performance and Operational Excellence

All of the contracts that the Company owns are covered by strict environmental permits and the Company's adherence to these should continue to reduce any adverse impact on the areas or communities surrounding the contracts held. For the past years, the Company has taken a commitment to comprehensively and proactively review its compliance with all environmental requirements and has instituted an aggressive compliance framework to remain in full compliance with the commitments recorded in the environmental licences, environmental management plans and in the environmental regulations and norms applicable to our operations in Colombia

The Company acknowledges its responsibility as a participant of the communities in which it operates. To that end, the Company's social policies include a framework that addresses local community needs and expectations within the context of the contractual commitments of the Company and prudent business operations. The Company's commitments to the local communities are manifested, by way of example, in the following activities:

- Employment of local personnel at market rates that provides for sustainable living standards
- Active participation in the construction and maintenance of access roads that provide multiple beneficial uses
- Periodic seminars that provide training and education on various topics including technical labour, environmental and social issues
- Support for local schools and medical clinics through the furnishing of supplies
- Participation and sponsoring of reforestation programmes in areas affected by our operations

In addition, the Company makes donations to The Children's Vision International, a non-profit, non-government foundation in Bogotá, Colombia helping needy and homeless children

The Company carefully evaluates all future projects and contract areas, assessing their economic viability, future value for the Company and also the effect on the local communities and surrounding areas

The Company intends to continue its commitments to be a responsible corporate citizen and, through continual review of its policies and procedures and education of employees, is confident of maintaining and growing profitable and responsible operations in the region



## Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Website publication**

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company'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 Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Financial Statements

## TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	20
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Financial Position	23
Consolidated Statement of Cash Flows	24

## Notes to the financial information

1 Accounting policies	25
2 Segmental analysis	34
3 Discontinued operations – Peru	35
4 Earnings per share	36
5 Other income	36
6 Operating profit/(loss)	37
7 Employee costs	37
8 Other expenses	38
9 Finance income	39
10 Finance expense	39
11 Income tax	39
12 Deferred tax	40
13 Intangible assets	41
14 Property, plant and equipment	42
15 Trade receivables – non-current	42
16 Investments in subsidiaries	43
17 Inventories	43
18 Trade and other receivables – current	43
19 Prepaids and other assets	44
20 Term deposits	44
21 Cash and cash equivalents	44
22 Borrowings	45
23 Convertible loan notes	45
24 Finance leases	46
25 Obligations under operating lease contracts	46
26 Long-term provisions	47
27 Trade and other payables	47
28 Corporate and equity tax payable	47
29 Financial instruments	48
30 Share capital	51
31 Share-based payments	52
32 Capital commitments	55
33 Related party disclosures	55
34 Contingent liability	55
35 Post reporting date events	55

# Independent Auditors' Report to the Members of Global Energy Development PLC

We have audited the Group financial statements of Global Energy Development PLC for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on Financial Statements

In our opinion the group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

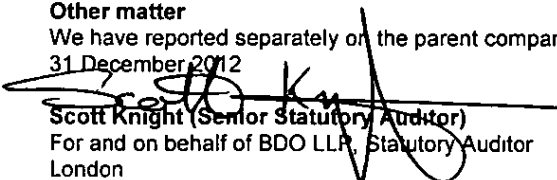
## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the parent company financial statements of Global Energy Development Plc for the year ended 31 December 2012.

  
Scott Knight (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom  
26 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Comprehensive Income

## For the 12 months ended 31 December 2012

	Note	2012 \$'000	2011 \$'000
<b>Revenue</b>	2	<b>44,038</b>	43,070
Cost of sales		(31,450)	(28,075)
<b>Gross profit</b>		<b>12,588</b>	14,995
Other income	5	77	12
Administrative expenses		(6,563)	(6,082)
Share-based expense	31	(892)	(297)
Exchange rate expense		(536)	(290)
Other expenses	8	(1,421)	–
<b>Operating profit from continuing operations</b>		<b>3,253</b>	8,338
Finance income	9	61	34
Finance expense	10	(2,554)	(2,438)
<b>Profit before taxation</b>		<b>760</b>	5,934
Tax expense	11	(3,693)	(3,938)
<b>(Loss)/profit from continuing operations, net of tax</b>		<b>(2,933)</b>	1,996
<b>Profit from discontinued operations, net of tax</b>	3	<b>810</b>	–
<b>Total comprehensive (loss)/income for the year attributable to the equity owners of the parent</b>		<b>(2,123)</b>	1,996
<b>(Loss)/earnings per share for continuing operations</b>			
– Basic	4	\$(0 08)	\$0 06
– Diluted	4	\$(0 08)	\$0 05
<b>Total (loss)/earnings per share</b>			
– Basic	4	\$(0 06)	\$0 06
– Diluted	4	\$(0 06)	\$0 05

The notes on pages 25 to 55 form an integral part of these financial statements

## Consolidated Statement of Changes in Equity

	Share capital \$ 000	Share premium \$ 000	Capital reserve \$ 000	Other reserve \$ 000	Retained losses \$ 000	Total equity \$ 000
<b>At 1 January 2011</b>	<b>540</b>	<b>26,544</b>	<b>210,844</b>	<b>1,826</b>	<b>(159,928)</b>	<b>79,826</b>
Total comprehensive profit for the year	–	–	–	–	1,996	1,996
Share-based payment – options equity settled	–	–	–	–	107	107
Redemption of convertible notes	6	595	–	(899)	874	576
<b>At 1 January 2012</b>	<b>546</b>	<b>27,139</b>	<b>210,844</b>	<b>927</b>	<b>(156,951)</b>	<b>82,505</b>
Total comprehensive (loss) for the year	–	–	–	–	(2,123)	(2,123)
Share-based payment – options equity settled	62	–	–	–	24	86
Redemption of convertible notes	–	–	–	(927)	927	–
<b>At 31 December 2012</b>	<b>608</b>	<b>27,139</b>	<b>210,844</b>	<b>–</b>	<b>(158,123)</b>	<b>80,468</b>

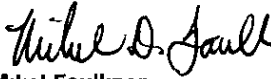
The notes on pages 25 to 55 form an integral part of these financial statements

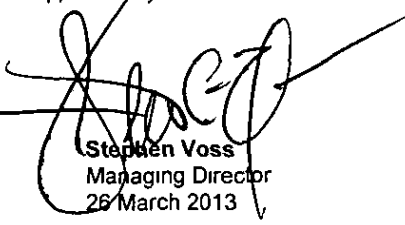
# Consolidated Statement of Financial Position

## As at 31 December 2012

	Notes	2012 \$'000	2011 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	3,13	739	3,427
Property, plant and equipment	14	108,606	99,845
Trade receivables	15	1,388	2,500
<b>Total non-current assets</b>		<b>110,733</b>	<b>105,772</b>
<b>Current assets</b>			
Inventories	17	1,754	1,939
Trade and other receivables	18	9,346	2,952
Prepays and other assets	19	1,628	1,299
Term deposits	20	1,608	1,718
Cash and cash equivalents	21	6,209	4,331
<b>Total current assets</b>		<b>20,545</b>	<b>12,239</b>
<b>Total assets</b>		<b>131,278</b>	<b>118,011</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	12	(13,353)	(10,116)
Equity tax liability	28	(434)	(968)
Long-term provisions	26	(5,546)	(2,861)
Long-term loans payable	22	(551)	(227)
<b>Total non-current liabilities</b>		<b>(19,884)</b>	<b>(14,172)</b>
<b>Current liabilities</b>			
Convertible loan notes	23	–	(9,372)
Trade and other payables	27	(12,126)	(5,556)
Corporate and equity tax liability	28	(1,478)	(1,184)
Short-term loans and finance leases	22	(17,322)	(5,222)
<b>Total current liabilities</b>		<b>(30,926)</b>	<b>(21,334)</b>
<b>Total liabilities</b>		<b>(50,810)</b>	<b>(35,506)</b>
<b>Net assets</b>		<b>80,468</b>	<b>82,505</b>
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	30	608	546
Share premium account	30	27,139	27,139
Other reserve	30	–	927
Capital reserve	30	210,844	210,844
Retained deficit	30	(158,123)	(156,951)
<b>Total equity</b>		<b>80,468</b>	<b>82,505</b>

These financial statements were approved by the Board of Directors and authorised for issue on 26 March 2013 and were signed on its behalf by

  
**Mikel Faulkner**  
Chairman  
26 March 2013

  
**Stephen Voss**  
Managing Director  
26 March 2013

**Global Energy Development PLC**  
3 More London Riverside  
London SE1 2AQ  
UK

The notes on pages 25 to 55 form an integral part of these financial statements

# Consolidated Statement of Cash Flows

## As at 31 December 2012

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Operating profit before interest and taxation from continuing operations		3,253	8,338
Operating profit before interest and taxation from discontinued operations		1,157	–
Depreciation, depletion and amortisation	14	8,108	8,424
Gain on disposal of assets from discontinued operations		(1,157)	5
Increase in trade and other receivables		(3,103)	(930)
Increase in Cajaro receivable provision		1,221	–
Decrease/(increase) in inventories	17	185	(389)
(Decrease)/increase in trade and other payables		(436)	437
(Decrease)/increase in long-term provisions	26	624	(482)
Shared-based payments and other non-cash items	31	24	107
<b>Cash generated from continuing operations</b>		<b>9,876</b>	<b>15,510</b>
Net movement tax charges		(612)	(1,344)
<b>Net cash flows from operating activities</b>		<b>9,264</b>	<b>14,166</b>
<b>Investing activities</b>			
<b>Capital expenditure</b>			
– Expenditure on property, plant and equipment	14	(8,702)	(5,596)
– Expenditure on intangible assets	13	(1,599)	(393)
– Disposal of Peru		2,000	65
Interest received	9	61	34
Decrease/(increase) in short-term investment	20	110	(252)
<b>Net cash flows from investing activities</b>		<b>(8,130)</b>	<b>(6,142)</b>
<b>Financing activities</b>			
Short-term loans paid during the period		(9,762)	(9,219)
Loans subscribed for during the period		12,625	–
Interest paid		(2,181)	(1,818)
Proceeds from exercise of share options	31	62	–
<b>Net cash flows from financing activities</b>		<b>744</b>	<b>(11,037)</b>
Increase/(decrease) in cash and cash equivalents		1,878	(3,013)
Cash and cash equivalents at beginning of year		4,331	7,344
<b>Cash and cash equivalents at the end of year</b>	21	<b>6,209</b>	<b>4,331</b>

The notes on pages 25 to 55 form an integral part of these financial statements



# Notes to the Primary Financial Statements

## For the 12 months ended 31 December 2012

### 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.

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions as to trading as well as taking into account the available borrowing facilities in line with the capital management policies. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board remains confident that the Group's current cash on hand and current cash flow from operations will enable the Group to fully finance its future working capital discretionary expenditures beyond the period of 12 months of the date of this report. However whilst the Board take the necessary steps to reduce the key risks associated with oil development activity, there can be no guarantee of the success of future wells, consequently further capital may be required in the event that the Group's expectations are not achieved.

The financial statements of the Group for the 12 months ended 31 December 2012 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 the European Union.

#### New standards and interpretations

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2012 and adopted by the Group

Standard description	Date of adoption	Impact on initial application
IFRS 7 – Amendment – Transfer of Financial Asset	1 July 2012	<p>This Amendment requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.</p> <p>No impact on the Group</p>
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 July 2012	<p>This Amendment requires companies to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the profit or loss section of the income statement.</p> <p>No impact on the Group</p>
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) <sup>1</sup>	1 July 2011	<p>Removal of fixed dates for first time adopters of IFRS and provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.</p> <p>No impact on the Group</p>
IAS 12 – Amendment – Recovery of Underlying Assets <sup>1</sup>	1 January 2012	<p>IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale.</p> <p>The Group's assets are all recoverable through use.</p>

<sup>1</sup> Endorsed by the European Union on 1 January 2013

(b) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early

Standard description	Date of adoption	Impact on initial application
IFRS 10 Consolidated Financial Statements	1 January 2014	IFRS 10 includes a definition of control and sets out requirements for situations when control is difficult to assess  The Group will apply the amendment from 1 January 2014 since EU endorsement took place on 1 January 2013
IFRS 11 Joint Arrangements	1 January 2014	The principle in IFRS 11 is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement rather than focusing on the legal form  There will no longer be an option to use proportionate consolidation. No effect on the Group
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014	IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities  The Group will apply the amendment from 1 January 2014 since EU endorsement took place on 1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013	IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements  The Group will apply the amendment from 1 January 2013
IAS 27 Separate Financial Statements	1 January 2014	The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with the applicable financial instruments standard (i.e. IAS 39 or IFRS 9)  The Group will apply the amendment from 1 January 2014 since EU endorsement took place on 1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2014	IAS 28 now includes the required accounting for joint ventures as well as the definition and required accounting for associates. No effect on the Group
IAS 19 Employee Benefits	1 January 2014	The main changes introduced by the amendment revolve around the accounting for defined benefit pension schemes. No effect on the Group
IFRIC 20 – Stripping costs in the production phase of a surface mine	1 January 2013	This interpretation applies to waste removal (stripping) costs that are incurred in surface mining activity, during the production phase of the mine. Effect not relevant
IFRS 7 (Amendment 2011) Disclosures – offsetting financial assets and financial liabilities	1 January 2013	The amendment introduces disclosures to enable users of financial statements to evaluate the effect or potential effect of netting

Standard description	Date of adoption	Impact on initial application
		arrangements on entity's financial position
		The Group will apply the amendment from 1 January 2013
Government Loans (Amendments to IFRS 1)	1 January 2013	The Amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 and IAS 20 prospectively to government loans existing at the date of transition to IFRSs. Effect not relevant
Annual Improvements to IFRSs (2009–2011 Cycle)	1 January 2013*	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards
		The Group will apply the standard subject to EU endorsement
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013*	The Amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements
		The Group will apply the standard subject to EU endorsement
IAS 32 (Amendment 2011) Offsetting financial assets and financial liabilities	1 January 2014	The amendment seeks to clarify rather than change the off-setting requirements previously set out in IAS 32
		The Group will apply the amendment from 1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014*	The Amendments provide an exception from the requirements for a qualifying entity to consolidate its controlled investees and, instead, requires them to present their investments in subsidiaries as a net investment that is measured at fair value
		The Group will apply the amendment from 1 January 2014 subject to EU endorsement
IFRS 9 Financial instruments	1 January 2015*	The standard will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement, impairment and hedge accounting
		The Group will apply the standard from 1 January 2013 subject to the endorsement by the EU

The Group has not yet assessed the impact of IFRS 9. However, the above standards, amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

\* Not yet endorsed by the European Union

### **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 statement of comprehensive income 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**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the Chairman, Managing Director, the Director of Operations, the Director of Exploration, the General Counsel and the Finance Director.

The Group's single operating segment is the development and sale of hydrocarbons and related activities. The Group operates in one geographic area, South America.

Within this geographic area the Group has operations in Colombia and previously held a non-operated interest in Peru (see note 3). The quantitative thresholds of IFRS 8 are only met for Colombia, which is therefore the Group's one reportable segment.

### **Revenue and other income**

Revenue reflects actual volumes, delivered to customers only when the risk is transferred, 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 oil are recognised when the oil is received by the customer and the risk is transferred and are net of taxes and royalty interests.

Other income relates to crude transportation fees and gains on materials inventory adjustment. Other income is recognised as earned.

### **Oil assets**

The following policy definitions provide the guidelines for accounting treatment of oil assets including properties, wells, facilities, pipelines and the other related oil producing assets during all stages of development 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 activities which may be issued.

#### *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 statement of comprehensive income. 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 statement of comprehensive income. The recoverable value is determined as the higher of a) its fair market value less costs of disposal or b) the sum of related cash flows, on a net present value basis.

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

- the licence 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 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 statement of comprehensive income

#### *Other intangible assets*

Other intangible assets include computer software

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### **Property, plant and equipment – 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:

- **CGUs** – The Company has defined its CGUs 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 thereafter 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, CGUs or other assets will be allocated to the appropriate CGUs during the period in which the costs were incurred.

#### *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 statement of comprehensive income 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 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 asset's useful life is being extended, or the asset is being modified to assist the production of new reserves. The asset will then be subject to depreciation.

- 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 derecognised and charged to Cost of Sales 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 derecognised and charged to cost of sale in the statement of comprehensive income. 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 within cost of sales in the statement of comprehensive income 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 statement of comprehensive income 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.

### **Joint ventures**

Joint ventures are those ventures in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more ventures under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IAS 31.

### **Property, plant and equipment other than oil assets**

Property, plant and equipment other than oil 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. Net realisable value of crude oil is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory amounts include all costs incurred in the normal course of business in bringing product to its present location and condition. The cost of crude oil inventory includes the appropriate proportion of depreciation, depletion and amortisation and administrative cost.

### **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 reporting date.

#### *Equity Tax*

On 29 December 2010 the Colombian Congress passed a law which imposes a 6 per cent equity tax on the equity of the Colombian operations, to be paid in eight equal instalments every four years. The equity tax is payable even in the event that the Company ceases to have taxable equity in subsequent years, and according with IAS 37 an entity must recognise a provision in the income statement during the first year that it recognises the liability. The Group recorded equity tax calculated using a taxable base of the Net Equity as at 1 January 2011 at a rate of 6 per cent and recognised the full expenditure within 2011.

#### *Colombian Tax Law 1607*

On 26 December 2012, the Colombian Congress passed a tax law which reduced the corporate income tax rate applicable to Colombian entities and branches of non-Colombian companies from 33 per cent to 25 per cent beginning 1 January 2013. However, this rate reduction is effectively offset by a new income tax, known as "CREE Tax", with a tax rate of 9 per cent from 2013 through 2015, and 8 per cent thereafter. The CREE tax works as an income tax except for certain limitations on the ability to claim costs and expenses. Tax loss carryforwards are not eligible to offset the CREE taxable amount. Lastly, the CREE's taxable income amount may not be less than 3 per cent of the taxpayer's net equity as of 31 December of the preceding taxable year. The Company will calculate its current tax expense beginning 2013 based upon Tax Law 1607.

### **Deferred Tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the primary financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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 reporting 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 statement of comprehensive income, 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 receivables and cash and cash equivalents, 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. The Group has not classified any of its assets at fair value through profit and loss.

#### **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 oilfields. The 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 approximate to carrying 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 statement of comprehensive income. 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### **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 are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### **Convertible debt**

In accordance with IAS 32 and IAS 39, the Company had classified its previously outstanding convertible debt in issue as a compound financial instrument. Accordingly, the Company presented the liability and equity components separately on the statement of financial position. 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 arose from initially recognising the components of the instrument separately. Interest on the debt element of the loan was accreted over the term of the loan. Costs associated with the raising of debt were set off against the gross value of monies received (see note 23). If convertible debt is settled by cash payments, the equity component is transferred to retained losses through the statement of changes in equity.

#### **Capitalisation of interest**

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 brought into production.

**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.

Under Colombian law relating to certain exploration and producing contracts, the Group is required to perform additional reinvestment in the amount of 1 per cent of specific investment activity to provide for the recovery, conservation, preservation, and monitoring of the hydrographic basin of the exploration areas. In such cases, a provision is provided and an amount equal to the provision is recognised within the cost of the respective asset and amortised on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provisions and the associated fixed asset.

**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 statement of comprehensive income equal to the fair value of the benefit awarded. The expense is recognised in the statement of comprehensive income 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.

Where share-based payments are awarded in lieu of services, the fair value of the share-based payment is considered to be the value of services.

**Long-term service benefits**

The Group also operates a cash settled share-based payment scheme ("the long-term incentive bonus award"). An option pricing model is used to measure the Group's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the consolidated statement of comprehensive income.

**Post retirement benefits**

The Group contributes to a defined contribution scheme at the discretion of the Board of Directors. Contributions are charged to the statement of comprehensive income 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 reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into US Dollars 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 reporting date.

Exchange differences recognised in the statement of comprehensive income 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 recognised in the foreign exchange reserve on consolidation.

At the date of transition to IFRS on 1 January 2006, the Group 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 of 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 and its subsidiaries has been determined to be the US Dollar and accordingly the financial statements have been presented in US Dollars.

**Borrowings**

Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

**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 statement of comprehensive income 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 statement of comprehensive income 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:

- (CGU) Cash-generating unit (note 13),
- Carrying value of intangible exploration and evaluation assets (note 13),
- Carrying value of property, plant and equipment (note 14),
- Trade and other receivables/Cajaro (note 15),
- Provisions against receivables (note 18),
- Commercial reserves estimates (on page 8),
- Decommissioning provision (note 26), and
- Share-based payments (note 31)

## 2 Segmental analysis

In the opinion of the Directors, the operations of the Group comprise one single operating segment comprising production, development and sale of hydrocarbons and related activities. The Group operates in one geographic area, South America. Within this geographic area, the Group has operations in Colombia (2011: Colombia and Peru). The quantitative thresholds of IFRS 8 are only met for Colombia, which is therefore the Group's one reportable segment and the Directors consider that the primary financial statements presented substantially reflect all the activities of this single operating segment.

The Group's single operating segment

#### Development and production of oil

	Operating segment \$'000	Other segments \$'000	Total 2012 \$'000	Operating segment \$'000	Other segments \$'000	Total 2011 \$'000
Total Revenues	44,038	–	44,038	43,070	–	43,070
Profit Before Tax	4,111	(2,194)	1,917	10,947	(5,013)	5,934
Total Non-Current Assets	110,699	34	110,733	102,329	3,443	105,772
Total Non-Current Liabilities	18,220	1,664	19,884	12,925	1,247	14,172

The Group's oil revenues are generated entirely in Colombia and result from sales to Colombia-based customers. Revenue from two major customers exceeded 10 per cent, and amounted to \$40.7 million, Client 1 \$20.5 million and Client 2 \$20.2 million, respectively arising from sales of crude. In 2011, revenue from two major customers exceeded 10 per cent, and amounted to \$34.6 million, Client 1 \$21.7 million and Client 2 \$12.9 million, respectively. Certain entity wide disclosures are required under IFRS 8, which include revenues and total assets

#### Development and production of oil

	2012 \$'000	2011 \$'000
<b>Revenues</b>		
Colombia	44,038	43,070
<b>Total revenues</b>	<b>44,038</b>	<b>43,070</b>
<b>Assets</b>		
Colombia	109,311	99,829
Other	–	3,443
<b>Total assets</b>	<b>109,311</b>	<b>103,272</b>

Non-current assets comprises intangible assets (note 13) and property, plant and equipment (note 14) and excludes deferred tax asset (note 12) and non-current trade receivables (note 15).

### 3. Discontinued operations – Peru

In June 2012, the Group closed on the sale of its remaining 40 per cent working interest of the Peruvian Block 95 Licence Contract ("Block 95") through its wholly-owned subsidiary to Gran Tierra Energy, Inc ("GTE"). Block 95 was the Company's only Peruvian asset, located in the Marañon Basin in the north-east area of the country, with net 2P reserves of 8.4 million barrels of oil as reported in the Company's annual report and accounts for the year to 31 December 2011. Block 95 did not generate any revenues or expenses in the year to 31 December 2011 and 2012.

Under the terms of the purchase and sale agreement, the Company sold its 40 per cent working interest to GTE for cash consideration of \$5.4 million with \$2.0 million received upon closing and the remaining \$3.4 million payable upon the earlier of either approval of the assignment from Perupetro, Peru's national agency of hydrocarbons, or one (1) year from the closing date. The effective date of the sale was 1 June 2012. Subsequently, in February 2013, the Group received the remaining net proceeds following the approval of the assignment from Peruvian authorities. The proceeds from the sale will be used for working capital generally. This sale included all intangible assets of the wholly-owned subsidiary. The Company recognised a net gain after taxation on the sale of these assets of approximately \$810,000 in 2012. Following the completion of this divestiture, the Company holds no further interests in Block 95 in Peru.

The following are the totals for the major classes of assets and liabilities relating to the Company's discontinued operations associated with Block 95.

	2012 \$'000
<b>Net Assets disposed of</b>	
Intangible assets	4,600
Trade and other payables	(357)
<b>Net Assets</b>	<b>4,243</b>
<b>Proceeds on disposal of discontinued operations</b>	
Cash and cash equivalents	2,000
Deferred consideration	3,400
	<b>5,400</b>
<b>Profit on disposal of discontinued operations before taxation</b>	<b>1,157</b>

The gain on discontinued operations on the Statement of Comprehensive Income can be analysed as follows:

	2012 \$'000
Gain recognised on disposal of net assets less costs to sell	1,157
Income tax payable	(347)
<b>Profit on disposal of discontinued operations, net of tax</b>	<b>810</b>

The Statement of Cash Flows contains the following elements related to discontinued operations:

	2012 \$'000	2011 \$'000
Net cash flows attributable to investing activities		
Expenditure on intangible assets	(1,172)	(393)
Proceeds on sale of non-current assets	2,000	2,000
<b>Net cash flow attributable to investing activities</b>	<b>828</b>	<b>1,607</b>

### 4. Earnings per share (EPS)

Basic earnings per share amounts are calculated by dividing the profit/(loss) 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 are calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding at the end of 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.

	2012 \$'000	2011 \$'000
(Loss)/profit from continuing operations after taxation	(2,933)	1,996
Profit from discontinued operations after taxation	810	–
<b>Net (loss)/profit attributable to equity holders used in dilutive calculation</b>	<b>(2,123)</b>	<b>1,996</b>
<b>(Loss)/earnings per share for continuing operations</b>		
– Basic	(0.08)	0.06
– Diluted	(0.08)	0.05
<b>Earnings per share for discontinued operations</b>		
– Basic and Diluted	0.02	–
<b>Total (loss)/earnings per share</b>		
– Basic	(0.06)	0.06
– Diluted	(0.06)	0.05
<b>Basic weighted average number of shares</b>	<b>35,950,888</b>	<b>35,752,049</b>
Dilutive potential ordinary shares		
Employee and Director share option plans	1,247,263	1,536,620
<b>Diluted weighted average number of shares</b>	<b>37,198,151</b>	<b>37,288,669</b>

The calculation of the diluted EPS assumes all criteria giving rise to the dilution of the EPS are achieved and all outstanding share options with exercise prices lower than the average period share price are exercised. During the period ended 31 December 2012, the Group reported a loss. Therefore, because the effect of the potentially dilutive shares related to outstanding share options would be anti-dilutive, a separate diluted loss per share has not been reported because it is deemed to equal the basic loss per share.

## 5 Other income

	2012 \$'000	2011 \$'000
Gain on material inventory adjustment	53	–
Crude transport fees	17	12
Miscellaneous income	7	–
<b>Total other income</b>	<b>77</b>	<b>12</b>

## 6 Operating profit/(loss)

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

	2012 \$'000	2011 \$'000
Depletion, depreciation and amortisation		
Oil assets	8,004	8,269
Other property plant and equipment	104	155
Operating lease charges – land and buildings	485	426
Employee costs	4,472	5,036
Share-based payment – options – equity-settled (note 31)	24	107
Share-based payment – cash-settled (note 31)	868	190
Net foreign currency (gains)/losses	536	(213)
Auditors' remuneration	310	250

During the year, the Group obtained the following services from the Group's auditors at costs as detailed below

## Analysis of auditors' remuneration

	2012 \$'000	2011 \$'000
<b>Principal Auditors</b>		
<b>Audit Services</b>		
Statutory audit	157	164
Audit related regulatory reporting	13	19
Other services (tax)	11	18
<b>Other Auditors</b>		
Audit of subsidiaries pursuant to legislation (not BDO)	53	46
Other services (tax)	76	3
<b>Total auditors' remuneration</b>	<b>310</b>	<b>250</b>

## 7 Employee costs

Group employee costs (including Executive Directors) during the year amounted to

	2012 \$'000	2011 \$'000
Wages and salaries	3,666	3,900
Social security costs and other payroll taxes	499	583
Insurances and other benefits	136	431
Share-based payments – options (note 31)	892	297
Termination benefits	171	122
<b>Total employee costs</b>	<b>5,364</b>	<b>5,333</b>

The average number of Group employees (including Executive Directors) was

	2012	2011
Technical and operations	29	31
Management and administrative	35	43
<b>Total Group employees</b>	<b>64</b>	<b>74</b>

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.

## Directors' remuneration

	Salary \$'000	Benefits \$'000	Bonus \$'000	Fees \$'000	Total 2012 \$'000	Total 2011 \$'000
<b>Executives</b>						
Mikel Faulkner	305	10	47	–	362	275
Stephen Voss	300	21	47	–	368	358
<b>Non-executives<sup>1</sup></b>						
Alan Henderson	–	–	–	63	63	47
David Quint	–	–	–	63	63	49
<b>Total</b>	<b>605</b>	<b>31</b>	<b>94</b>	<b>126</b>	<b>856</b>	<b>729</b>

<sup>1</sup> The non-executive fees were paid in Pounds Sterling of the amount £40,000 each (2011: £30,000)

Compensation paid to key management personnel including Directors and Executive Directors

	2012 \$'000	2011 \$'000
Non-executive Director fees	126	96
Compensation and benefits paid to key management personnel		
Compensation paid	1,166	1,102
Performance bonuses	169	120
Health and life insurances	28	69
Company contributions to payroll taxation	37	37
Share-based payment (note 31)	892	297
Termination benefits	–	122
<b>Total</b>	<b>2,418</b>	<b>1,843</b>

In accordance with IAS 24, at 31 December 2012, there were no amounts due to or from key management personnel (2011: nil)

**8 Other expenses**

	2012 \$'000	2011 \$'000
Royalties Ecopetrol	268	–
Provision – Cajaro Unitisation	1,153	–
<b>Total other expenses</b>	<b>1,421</b>	<b>–</b>

As at 31 December 2012, trade receivables of \$5.4 million (2011: \$5.5 million) related to one partner of an association contract in Colombia whose legal entitlement under a unitisation issue is subject to ongoing negotiation and possible future litigation and with which a receivable is being discussed over delivery of royalties from the respective contract. In light of previous delays in the resolution of the unitisation issue, the Board of Directors had previously elected to impair the receivable. The amount of the provision as at 31 December 2011 was \$3 million.

On the matter of unitisation, during 2012 several meetings were held with the partner aforementioned. In those discussions, the partner informed the Group of their intention to return the associated well back to operation through the Association Contract's Joint Account scheme abandoning a negotiated settlement option. The Group has consistently pursued a negotiated solution rather than litigation, taking into consideration the uncertainty and the time delay that litigation or technical arbitration would entail. During a November 2012 meeting, a formal proposal was presented to declare that the negotiation stage was closed and a dispute should be resolved through adversary proceedings.

Because of the shift towards pursuing the resolution and collection of the receivable through adversary proceeding, which can take up to approximately five (5) years to resolve, the Board of Directors elected to write down the present value of the asset and recognise a discount impairment of \$1.1 million, so the amount of the provision as at 31 December was \$4.0 million.

On a practical note, the Group believes that the write down of the receivable bears little weight on the merits of the controversy and its position and is to be understood as merely the application of a prudent approach to the conflict, despite the Group's internal conviction on the strength of its position.

The provision for royalties was included in the accounts due to a dispute with the contract associate, Ecopetrol, regarding the rate at which royalty payments are chargeable. The associate has recently claimed an amount of \$268,400 is due to them based on a calculation of royalties at 20 per cent rather than the contractual 8 per cent.

The Company expects a resolution in its favour by the authorities but given the fact that an association contract is involved, as a cautionary measure, it determined to provide for the balance of the payable in case of an adverse result.

**9 Finance income**

	2012 \$'000	2011 \$'000
Income on cash and cash equivalents	61	34

## 10 Finance expense

	2012 \$'000	2011 \$'000
Loans and overdrafts (note 22)	2,053	640
Coupon interest on convertible debt (note 23)	239	1,179
Accretion of convertible debt expense	78	354
Unwinding of discount on decommissioning provision	184	265
<b>Total finance expenses</b>	<b>2,554</b>	<b>2,438</b>

## 11 Income tax

The Group is subject to UK and Colombian taxation

### UK taxation

The Group 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, the Group had trading losses carried forward of \$31.1 million as at 31 December 2012 and \$31.0 million as at 31 December 2011 and these are expected to increase in the future

### Colombian taxation

The Group pays taxes in Colombia through the branch office of its wholly-owned subsidiary CEDCo. The Colombian corporation tax in 2012 and 2011 was calculated as the higher of net income tax or presumptive income tax which was determined as follows

- **Presumptive income tax** An alternative minimum tax calculated on the prior year gross equity less liabilities at a rate of 3 per cent to determine the presumptive income. A rate of 33 per cent is applied to the presumptive income to arrive at the tax obligation, or
- **Net income tax** Calculated at a rate of 33 per cent taking into account revenues minus costs, and standard deductions

In 2012 and 2011, CEDCo paid its Income tax based on Presumptive Income Tax

### Colombian Tax Law 1607

On 26 December 2012, the Colombian Congress passed a tax law which reduced the corporate income tax rate applicable to Colombian entities and branches of non-Colombian companies from 33 per cent to 25 per cent beginning 1 January 2013. However, this rate reduction is effectively offset by a new income tax, known as "CREE Tax", with a tax rate of 9 per cent from 2013 through 2015, and 8 per cent thereafter. The CREE tax works as an income tax except for certain limitations on the ability to claim costs and expenses. Tax loss carryforwards are not eligible to offset the CREE taxable amount. Lastly, the CREE's taxable income amount may not be less than three per cent of the taxpayer's net equity as of 31 December of the preceding taxable year. The Company will calculate its current tax expense beginning 2013 based upon Tax Law 1607.

Additionally, the Group pays an Equity Tax calculated using a taxable base of the Net Equity as at 1 January 2011 at a rate of 6 per cent. The payment of the tax is over four years with payments made twice per year.

The major components of income tax expense for the periods ended 31 December 2012 and 2011 are

### Consolidated statement of comprehensive income

	2012 \$'000	2011 \$'000
<b>Current taxes</b>		
Current income tax charge	333	256
Current equity tax charge	–	1,549
Other withholding tax	123	51
<b>Deferred Tax</b>		
Adoption of Colombian Tax Law 1607 (note 12)	3,560	–
Relating to origination and reversal of temporary differences (note 12)	(323)	2,082
<b>Total income tax expense reported in the income statement</b>	<b>3,693</b>	<b>3,938</b>

## Taxation reconciliation

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

	2012 \$'000	2011 \$'000
Accounting (loss)/profit before income tax	760	5,934
Tax on Group (loss)/profit at UK Corporation tax rate of 24.5% (2011: 26.5%)	186	1,572
Effects of:		
Permanent differences	677	(511)
UK tax on losses carried forward	215	798
Non-taxable income/Non-deductible expenses for tax purposes	–	709
Adoption of Colombian Tax Law 1607	3,560	–
Temporary differences (see note 12)	(1,032)	2,082
Effect of higher tax rates in the UK	87	(712)
<b>Total corporation tax expense reported in the income statement</b>	<b>3,693</b>	<b>3,938</b>

## 12 Deferred tax

The gross movement in net deferred tax liabilities are reported as follows

	2012 \$'000	2011 \$'000
Opening balance as of 1 January	(10,116)	(8,034)
Change in deferred tax related to adoption of Colombian Tax Law 1607	(3,560)	–
Change in deferred tax related to temporary differences and other	323	(2,082)
<b>Closing balance as at 31 December</b>	<b>(13,353)</b>	<b>(10,116)</b>

The Group offsets deferred tax assets and liabilities if, and only if, it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to corporation taxes levied by the same tax authority. Deferred tax assets and liabilities listed below are related to corporation taxes levied by the Colombian tax authority with jurisdiction over CEDCo.

Temporary differences between the tax base and carrying values arise in relation to the effect of inflation adjustments, differences in exchange rate of non-monetary assets, differences between tax and accounting depreciation and the adjustment and use of tax losses generated in 2008 and 2010 that could be compensated with future profits with no due date.

The movement in deferred income tax assets and liabilities during the year is as follows

Deferred tax assets	Tax losses \$'000	Provisions \$'000	Total \$'000
As at 1 January 2011	14,979	1,398	16,377
Use of tax loss carry forwards	(1,721)	(382)	(2,103)
As at 1 January 2012	13,258	1,016	14,274
Write down of tax loss carry forwards – Law 1607	(3,186)	–	(3,186)
Use of tax loss carry forward	(1,126)	(4)	(1,130)
<b>As at 31 December 2012</b>	<b>8,946</b>	<b>1,012</b>	<b>9,958</b>

The reduction in deferred tax assets during 2012 is primarily due to the new 2012 Colombian Tax Law 1607 which reduced the corporate income tax rate applicable to Colombian entities and branches of non-Colombian companies from 33 per cent to 25 per cent beginning 1 January 2013 and established a new CREE tax with a tax rate of 9 per cent from 2013 through 2015, and 8 per cent thereafter. In 2012, the Group had to write-down the value of its deferred tax assets because tax loss carryforwards are not eligible to offset the CREE taxable amount. Therefore, accumulated tax losses of \$40 million will now be recoverable at 25 per cent rather than the prior year amount of 33 per cent.

Deferred tax liabilities	Fixed assets value \$ 000	Inventory \$ 000	Total \$ 000
As at 1 January 2011	(24,371)	(40)	(24,411)
Charged to income statement	(41)	62	21
As at 1 January 2012	(24,412)	22	(24,390)
Adoption of Colombian Tax Law 1607	(373)	–	(373)
Other charges to income statement	1,430	22	1,452
<b>As at 31 December 2012</b>	<b>(23,355)</b>	<b>44</b>	<b>(23,311)</b>

### 13 Intangible assets

The remaining balance in intangible assets at 31 December 2012 is associated with the costs of the upgrade in the Group's accounting system to SAP ERP

	2012 \$'000	2011 \$ 000
<b>Costs</b>		
<b>Peru</b>		
At 1 January	3,427	5,034
Additions	1,173	393
Disposals of remaining working interest	(4,600)	–
Reduction of costs incurred	–	(2,000)
<b>Total costs Peru</b>	<b>–</b>	<b>3,427</b>
<b>Colombia</b>		
At 1 January	–	–
Additions	829	–
<b>Total costs Colombia</b>	<b>829</b>	<b>–</b>
<b>Accumulated amortisation</b>		
<b>Colombia</b>		
At 1 January	–	–
Charge for the year	(90)	–
<b>Accumulated amortisation at 31 December 2012</b>	<b>(90)</b>	<b>–</b>
<b>Total intangible assets at 31 December</b>	<b>739</b>	<b>3,427</b>

In accordance with the provisions of IFRS 6 the Group has considered, in detail, the identification of CGUs in the Group 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 Group, 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 belong under IFRS 8 and an assessment of the recoverable amount of each CGU. Additionally, the way in which management monitors the entity's operations or how management makes decisions about continuing or disposing of the entity's assets and operations was taken into consideration for the purposes determining independent inflows.



## 14 Property, plant and equipment

	Oil properties \$'000	Facilities and pipelines \$'000	Office equipment & other \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2011	123,127	26,760	1,673	151,560
Additions	2,522	2,757	164	5,443
Wrote off	–	(388)	(6)	(394)
At 31 December 2011	125,649	29,129	1,831	156,609
Additions	17,730	790	334	18,854
Wrote off	(2,075)	–	(678)	(2,753)
<b>At 31 December 2012</b>	<b>141,304</b>	<b>29,919</b>	<b>1,487</b>	<b>172,710</b>
<b>Depreciation</b>				
At 1 January 2011	(39,961)	(7,259)	(1,444)	(48,664)
Wrote off	–	319	5	324
Transfer	11,063	(11,063)	–	–
Provided during the year	(6,532)	(1,737)	(155)	(8,424)
At 31 December 2011	(35,430)	(19,740)	(1,594)	(56,764)
Wrote off	–	–	768	768
Provided during the year	(7,960)	(44)	(104)	(8,108)
<b>At 31 December 2012</b>	<b>(43,390)</b>	<b>(19,784)</b>	<b>(930)</b>	<b>(64,104)</b>
<b>Net book value at 31 December 2012</b>	<b>97,914</b>	<b>10,135</b>	<b>557</b>	<b>108,606</b>
Net book value at 31 December 2011	90,219	9,389	237	99,845
Net book value at 1 January 2011	83,166	19,501	229	102,896

As at 31 December 2012 included in the cost of property, plant and equipment is \$797,600 (2011: \$788,000) in respect of capitalised financing costs. The amount of the financing costs capitalised during the year was \$10,000 (2011: \$nil). Also included in PP&E is an amount of \$625,100 relating to capitalised finance leases (2011: \$346,300).

Expenditures in 2012 on oil assets were primarily related to development efforts on the Tilodirán 1, Tilodirán 2, Rio Verde 2 and Torcaz 5 wells and improved surface handling facilities. Most of these costs remained capitalised in accordance with the Group's accounting policies related to oil assets.

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 assets are tested periodically for impairment to determine whether the net book value of capitalised costs relating to the cash generating unit, as defined, exceed the associated estimated future discounted cash flows of the related commercial oil reserves. If an impairment is identified, the depletion is charged through the statement of comprehensive income in the period incurred. The Group has performed an impairment test at 31 December 2012 and no impairment requirement was identified.

The Directors consider that the carrying value of the property, plant and equipment is not impaired based on an assessment of the recoverable amount of each of the Group's CGUs.

## 15 Trade receivables – non-current

	2012 \$'000	2011 \$'000
Trade receivables	5,355	5,463
Less provision for impairment of trade receivables	(3,967)	(2,963)
<b>Total trade receivables – non-current</b>	<b>1,388</b>	<b>2,500</b>

See note 8

## 16 Investments in subsidiaries

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

Held directly	Country of incorporation	Class of share capital held	Proportion held by the Company
Colombia Energy Development Co	Cayman Islands	Ordinary	100%
Harken de Peru Holdings, Ltd	Cayman Islands	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Global Energy Management Resources Inc	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above

Colombia Energy Development Co	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%

All of the above companies and branches are engaged in oil development and production

## 17 Inventories

	2012 \$'000	2011 \$'000
Oil stocks	825	1,156
Materials and supplies	929	783
<b>Total inventories</b>	<b>1,754</b>	<b>1,939</b>

The amount of inventory which has been recognised as an expense during the year is \$3.8 million (2011: \$1.6 million). The inventories are carried at cost.

## 18 Trade and other receivables – current

	2012 \$'000	2011 \$'000
Trade receivables	5,585	2,537
Less provision for impairment of trade receivables	(77)	–
Net trade receivables	5,508	2,537
Receivable from sale of Peruvian Block 95	3,400	–
Other receivables	438	415
<b>Total trade and other receivables – current</b>	<b>9,346</b>	<b>2,952</b>

Included in the above are trade receivables from customers totalling \$5.5 million (2011: \$2.5 million) in crude sales receivables which are not considered at risk due to the short-term nature of the receivables, the positive credit rating of the customers and the historical trading relationship with the customers. All customer balances as at 31 December 2012 were due within 30 days (2011: 30 days), with the exception of Odin Petrol S.A. \$0.1 million (360 days past due).

As at 31 December 2012, the receivable to Odin Petrol S.A. were considered past due. 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 of the gross carrying amount net of provisions for impairment to credit risk at the reporting date is the fair value of each class of receivable set out above.

The receivable from the sale of Peruvian Block 95 for \$3.4 million was subsequently received in February 2013.

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

The carrying values of the Group's trade and other receivables are denominated in the following currencies

	2012 \$'000	2011 \$'000
US Dollar	8,928	2,537
Colombian Peso	–	89
Peruvian Nuevo Sol	418	326
<b>Total</b>	<b>9,346</b>	<b>2,952</b>

#### 19 Prepaids and other assets

	2012 \$'000	2011 \$'000
Prepayments	517	45
Withholding taxes receivable <sup>1</sup>	1,111	1,254
<b>Total trade and other receivables – current</b>	<b>1,628</b>	<b>1,299</b>

<sup>1</sup> Withholding taxes represent an account receivable from Tax Authorities that could be offset against Income Tax Payable in 2013

#### 20 Term deposits

	2012 \$'000	2011 \$'000
Dollar denominated investments	1,608	1,718

According to the requirements in the association and concession contracts, the Group maintained three trust funds totalling \$751,000 (2011 \$393,000) to fund the cost for the future plugging and abandonment of certain fields in Colombia

The Group established US Dollar denominated Certificates of Deposit with restricted access and varying maturity of three months or less as guarantees for Letters of Credit required in the contract with Perupetro for performance assurance on oilfields. Considering the sale of the Group's remaining working interest in Peruvian Block 95, the Group was able to release all but one Letter of Credit during 2012. At 31 December 2012, the Group maintained one Certificate of Deposit totalling \$857,000.

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

	2012 \$'000	2011 \$'000
Over six months	1,608	1,718
<b>Total</b>	<b>1,608</b>	<b>1,718</b>

#### 21 Cash and cash equivalents

	2012 \$'000	2011 \$'000
Cash in bank and on hand	6,209	4,331

All cash balances constitute demand deposits or short-term investments available at call and held in US Dollars and Colombian Pesos. Details of balances, interest rates on deposits and currency exposures are summarised in note 29.

## 22 Borrowings

	2012 \$'000	2011 \$'000
<b>Non-current</b>		
Finance leases	551	227
<b>Total non-current borrowings</b>	<b>551</b>	<b>227</b>
<b>Current</b>		
Short-term loans	17,000	5,000
Finance leases	322	222
Convertible loan notes (see note 23)	–	9,372
<b>Total current borrowings</b>	<b>17,322</b>	<b>14,594</b>
<b>Total borrowings</b>	<b>17,873</b>	<b>14,821</b>

The short-term loans payable are represented as follows

- Fixed Rate Note Payable with HKN, Inc – \$12 million  
On 31 January 2012, the Group closed a Fixed Rate Note Payable with HKN, Inc. for the principal amount of \$12 million (the "Note Payable"). The Note Payable is not convertible into shares. The Note Payable is subject to an interest charge of 12.5 per cent per annum, payable quarterly in arrears, with the principal amount being repayable in full on 30 September 2013. The Note Payable is currently unsecured, but HKN can require the Group to provide adequate collateral security in the event of a material adverse effect. The Group also paid to HKN a 1.75 per cent transaction fee of \$210,000. The Group used these proceeds to redeem and extinguish the remaining convertible notes during 2012.
- Senior Secured Note Payable in HKN, Inc – \$5 million  
On 30 August 2012, the Group, as borrower, signed an amendment to the Senior Secured Note Payable entered into with HKN, as lender, on 14 September 2010. This loan amendment extended the maturity date of the underlying repayment obligation from September 2012 to April 2013. In exchange for this extension, the Group agreed to increase the interest rate from 10.5 per cent per annum to 12.5 per cent per annum and to pay a 1 per cent transaction fee of \$50,000.

	2012 \$'000	2011 \$'000
<b>Analysis of borrowings</b>		
Debt can be analysed as falling due		
Within one year or on demand	17,322	14,594
Between one and two years	551	227
	<b>17,873</b>	<b>14,821</b>

See note 35 for post reporting date events

## 23 Convertible loan notes

	2012 \$'000	2011 \$'000
Balance brought forward	9,372	16,967
Purchase and cancelled convertible notes	(9,372)	(7,950)
Cash paid interest	(317)	(1,179)
Coupon interest	239	1,179
Accreted interest	78	355
<b>Balance carried forward</b>	<b>–</b>	<b>9,372</b>

On 3 February 2012, the Group irrevocably exercised its option to redeem and extinguish the remaining outstanding principal amount of its remaining convertible notes on 5 March 2012 (the "Redemption Date"). The convertible notes were redeemed for cash at the principal amount of the notes together with interest accrued up to (but excluding) the Redemption Date. All convertible notes have been fully extinguished and are no longer outstanding.

## 24 Finance leases

The Group leased operating equipment during the period valued at \$873,000 (2011: \$346,000) which has been classified as a finance lease in accordance with IAS 17.

	Minimum lease payments 2012 \$'000	Interest 2012 \$'000	Present value 2012 \$'000
Not later than one year	395	73	322
Later than one year	604	53	551
<b>Total</b>	<b>999</b>	<b>126</b>	<b>873</b>

	Minimum lease payments 2011 \$'000	Interest 2011 \$'000	Present value 2011 \$'000
Not later than one year	135	20	115
Later than one year	270	39	231
<b>Total</b>	<b>405</b>	<b>59</b>	<b>346</b>

The fair value of the Group's lease obligation is approximate to the carrying amount. The remaining lease term for the 2012 additions is three years (2011: three years). For the year ended 31 December 2012, the average effective borrowing rate in finance leases was 8.18 per cent (2011: 7.02 per cent).

## 25 Obligations under operating lease contracts

	2012 \$'000	2011 \$'000
Minimum lease payments	485	426
Outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows		
Within one year	508	287
Between two and five years	408	268
<b>Total annual lease payments</b>	<b>916</b>	<b>555</b>

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

## 26. Long-term provisions

	2012 \$'000	2011 \$'000
Decommissioning liability at start of year <sup>1</sup>	2,499	2,891
Unwinding of discount	183	265
Increase (decrease) in provision	1,634	(657)
Decommissioning liability at end of year	4,316	2,499
Environmental Provision at start of year <sup>2</sup>	82	96
Increase (decrease) in provision	–	(14)
Environmental Provision at end of year	82	82
Long-term benefits <sup>3</sup>	1,148	280
Total long-term provision	5,546	2,861
Maturity analysis of provisions		
Due in more than one year	5,546	2,861

1 The decommissioning provision represents the present value of decommissioning costs for existing assets in the Group's oil operations, which are expected to be incurred between 2016 and 2026. 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.

2 The environmental provision represents the creation of an environmental investment reserve to reflect a liability under Colombian law for certain exploration and producing contracts requiring the Group to perform additional reinvestment in the amount of 1 per cent of specified investment activity to provide for the recovery, conservation, preservation, and monitoring of the hydrographic basin of the exploration areas. In such cases, a provision is provided and an amount equal to the provision is recognised within the cost of the respective asset and amortised on a unit of production basis. Changes in estimates are recognised prospectively with corresponding adjustments to the provisions and the associated fixed asset.

3 The Company granted to specific management employees Long-Term Incentive Bonus Award (see note 31).

## 27 Trade and other payables

	2012 \$'000	2011 \$'000
Trade payables <sup>1</sup>	6,830	3,793
Accrued liabilities	5,287	1,763
Advance payment	9	–
<b>Total current liabilities</b>	<b>12,126</b>	<b>5,556</b>

1 Trade payables reflect balances owed on invoices received from vendors and contractors related to active projects in progress at the end of each period. It is considered that values of trade and other payables approximate to fair value at 31 December 2012 and 2011.

## 28 Corporate and equity tax payable

	2012 \$'000	2011 \$'000
<b>Non-current tax</b>		
Equity tax <sup>1</sup>	434	968
<b>Current tax</b>		
Withholding tax <sup>2</sup>	463	342
VAT payable <sup>2</sup>	575	587
Current equity tax <sup>1</sup>	434	193
Other tax <sup>2</sup>	6	62
<b>Total corporate and equity</b>	<b>1,912</b>	<b>2,152</b>

1 The Group pays an Equity Tax calculated using a taxable base of the Net Equity as at 1 January 2011 and a rate of 6 per cent. The tax is paid over four years with payments made twice per year.

## 29 Financial Instruments

### Financial instruments – Risk Management

The Group is exposed through its operations to the following risks

- Price risk
- Credit risk
- Market risk
- Liquidity risk

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.

During 2012, the Group extinguished the remaining balance of the previously outstanding convertible loan notes and placed a new note payable with HKN, otherwise there have been no substantive changes in the Group's exposure to financial instruments, its objectives, policies and processes for managing those risks and the methods to measure them as previous periods.

#### *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
- Short-term loans and other borrowings

#### *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 regular 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 risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

#### *Price risk*

The Group is exposed to the risk of fluctuations in prevailing market prices of the crude oil, specifically the Brent and other light oil benchmark prices which were the source reference price in Global's crude sales contracts during 2012.

#### **Crude oil price sensitivity analysis**

A sensitivity analysis based on a 50 per cent price volatility assumption is used internally by management to estimate the potential impact of variations in crude oil market prices. As at 31 December 2012, a 50 per cent increase in the average sales price obtained during the year would have increased revenues and equity by \$22 million (2011: \$22 million) and a 50 per cent decrease in the average sales price would have reduced revenues and equity by \$15 million (2011: \$14 million).

#### *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.

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 and recognised in relation to the ongoing Cajaro unitisation negotiations and the related receivable (see notes 8 and 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 short-term loans and equipment finance leases, both of which carry fixed and floating interest rates within the terms of the agreements. Through the fixing of 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 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 2012 was as follows

US Dollar equivalent of	US Dollar \$ 000	Colombian Peso \$ 000	Peruvian Nuevo Sol \$ 000	Total \$ 000
Cash at bank at floating interest rate	857	900	–	1,757
Cash at bank on which no interest is received	6,045	15	–	6,060
Fixed rate debt	(17,000)	–	–	(17,000)
Floating rate debt	–	(873)	–	(873)
<b>Net (debt)/cash</b>	<b>(10,098)</b>	<b>(42)</b>	<b>–</b>	<b>(10,056)</b>

The profile at 31 December 2011 for comparison purposes was as follows

US Dollar equivalent of	US Dollar \$ 000	Colombian Peso \$ 000	Peruvian Nuevo Sol \$ 000	Total \$ 000
Cash at bank at floating interest rate	2,025	198	–	2,223
Cash at bank on which no interest is received	2,095	–	13	2,108
Fixed rate debt	(14,372)	–	–	(14,372)
Floating rate debt	–	(449)	–	(449)
<b>Net (debt)/cash</b>	<b>(10,252)</b>	<b>(251)</b>	<b>13</b>	<b>(10,490)</b>

Cash at bank at floating rates consisted of demand deposits and money market investments subject to floating rates which vary from 0.3 per cent to 1.25 per cent

The Group has fixed and floating rate debt-related instruments. Fixed rate debt consists of obligations under the HKN finance agreements of one year or less. The average interest rate on these debt instruments for the year is 12.5 per cent (2011: 8.7 per cent). The floating rate debt consists of obligations under equipment finance lease agreements of one year to three years, the average floating rate on these contracts for the year is 8.2 per cent (2011: 7.02 per cent).

### Interest rate sensitivity analysis

At 31 December 2012, the Group had net cash totalling \$153,000 (2011: \$1.8 million) in financial assets with floating interest rates, which averaged 0.23 per cent (2011: 0.14 per cent) return on investment and net debt totalling \$0.9 million (2011: 0.4 million). 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 and loans would have caused a corresponding increase or decrease in net income and net assets in the amount of \$6,318 (2011: \$7,420).

### 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 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
<b>At 31 December 2012</b>	<b>1,768</b>	<b>2,550</b>	<b>0.615</b>
At 31 December 2011	1,943	2,697	0.646

### 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 2012	(1,646)	97	10	(1,539)

The year-on-year fluctuation in Colombian Peso denominated balances is attributed primarily to accrued liabilities payable (see note 27)

#### 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 per cent favourable and adverse changes in market rates on exposed monetary assets and liabilities denominated on Colombian Pesos. At 31 December 2012, a 10 per cent devaluation of the Peso against the US Dollar would have resulted in translation gains of \$165,000 (2011 gains of \$292,000), and a 10 per cent revaluation of the Peso against the US Dollar would have resulted in a translation loss of \$150,000 (2011 loss of \$265,000) with the corresponding movement in net assets

#### Liquidity risk

Liquidity risk arises from the 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 minimal 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 through monthly updates of its cash flow projections, in order to provide the Company with solid tools to monitor, define and approve all cash uses with the purpose of ensuring the funds required to develop the expected operational activities.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating the most recent statement of financial position information (updated monthly) with the business plan and current year budget and management forecast of benchmark oil prices. The Group's performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Group's management reviews rolling 12-month cash flow projections on periodic basis as well as information regarding cash balances and Group performance against budget. At the reporting 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 illustrate the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross based, where relevant, on statement of financial position interest rates and exchange rates prevailing at the reporting date.

Maturity analysis of the financial liabilities is as follows:

	2012 \$'000	2011 \$'000
<b>Analysis of current liabilities include</b>		
Up to 3 months	7,462	5,048
3 to 6 months	5,174	2,114
Over 6 months	13,317	5,410
<b>Total current liabilities</b>	<b>25,953</b>	<b>12,572</b>
<b>Analysis of non-current liabilities include</b>		
Not later than two years	710	711
Later than two years	275	484
<b>Total non-current liabilities</b>	<b>985</b>	<b>1,195</b>
<b>Total</b>	<b>26,938</b>	<b>13,767</b>

#### Capital management policies

The Board has established guidelines and policies which are for the management of the Group's capital resources, including shareholder equity and debt, based on a long-term strategy against which the Board 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,
- identification of 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,
- the hire and maintenance of highly qualified employees through effective manpower management processes, including compensation and benefit programmes in concert with ongoing training and motivational programmes, and
- the retention of maximum flexibility to allocate capital resources between exploration and appraisal, 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 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.

### 30 Share capital

	2012 Number of shares	2012 \$'000	2011 Number of shares	2011 \$'000
<b>Allotted, called up and fully paid</b>				
<b>Ordinary shares of 1p each</b>	<b>36,107,180</b>	<b>608</b>	<b>35,766,774</b>	<b>546</b>

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

The ordinary shares also confer the right to receive dividends if declared by the Directors and approved by the Company.

In January, May and December 2012, following notices of exercise of option in respect of 22,981, 254,902 and 62,523, respectively, ordinary shares of 1p each in the Company, the Company issued a total of 340,406 ordinary shares to ex-employees of the Company.

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and purpose
Share capital	Represents the nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Other reserve	Equity element of the previously outstanding convertible loan notes accounted for in accordance with IAS 32 and IAS 39
Retained losses	Cumulative net gains and losses recognised in the consolidated income statement
Capital reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years

### 31 Share-based payments

#### Equity-settled – Discretionary share option incentive plan

The Group periodically grants share options to employees and Directors, as approved by the Board. At 31 December 2012 and 31 December 2011 the following share options were outstanding in respect of the ordinary shares.

#### Year ended 31 December 2012

Year of grant	Number of shares	Issued in year	Forfeited/lapsed	Redemption during year	Number of shares	Number exercisable at year end	Start date	End date	Price per share	Average price per share at the retention date
2002	2,915,196	–	–	(500,000)	2,415,196	2,415,196	31 01 2002	31 01 2014	50 0p	104 0
2004	665,000	–	(90,000)	–	575,000	575,000	03 12 2004	03 12 2014	151 1p	
2005	130,000	–	(40,000)	–	90,000	90,000	08 12 2005	08 12 2015	265 1p	
2007	50,000	–	–	(50,000)	–	–	13 06 2007	13 06 2017	85 7p	91 51
2008	425,000	–	(50,000)	–	375,000	375,000	11 02 2008	11 02 2018	100 0p	
2008	66,667	–	–	(66,667)	–	–	15 07 2008	15 07 2018	113 3p	92 12
2008	656,666	–	(50,000)	(106,666)	500,000	500,000	11 12 2008	11 12 2018	70 0p	97 76
2011	125,000	–	–	–	125,000	–	06 10 2011	06 10 2021	83 0p	
2012	–	50,000	–	–	50,000	–	13 07 2012	13 07 2022	100 0p	
2012	–	75,000	–	–	75,000	–	05 12 2012	05 12 2022	100 0p	
<b>Total</b>	<b>5,033,529</b>	<b>125,000</b>	<b>(230,000)</b>	<b>(723,333)</b>	<b>4,205,196</b>	<b>3,955,196</b>				

## Year ended 31 December 2011

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Redemption during year	Number of shares	Number exercisable at year end	Start date	End date	Price per share	Average price per share at the retention date
2002	2,915,196	–	–	–	2,915,196	2,915,196	31 01 2002	31 01 2014	50 0p	
2002	30,000	–	–	(30,000)	–	–	08 08 2002	08 08 2012	54 5p	96 85
2004	665,000	–	–	–	665,000	665,000	03 12 2004	03 12 2014	151 1p	
2005	130,000	–	–	–	130,000	130,000	08 12 2005	08 12 2015	265 1p	
2007	50,000	–	–	–	50,000	50,000	13 06 2007	13 06 2017	85 7p	
2008	508,334	–	(83,334)	–	425,000	425,000	11 02 2008	11 02 2018	100 0p	
2008	66,667	–	–	–	66,667	66,667	15 07 2008	15 07 2018	113 3p	
2008	656,666	–	–	–	656,666	603,333	11 12 2008	11 12 2018	70 0p	
2011	–	125,000	–	–	125,000	–	06 10 2011	06 10 2021	83 0p	
<b>Total</b>	<b>5,021,863</b>	<b>125,000</b>	<b>(83,334)</b>	<b>(30,000)</b>	<b>5,033,529</b>	<b>4,855,196</b>				

### Cash-settled – Long-term service benefits

The Group granted to specific management employees a long-term incentive bonus award. The incentive confers the right, exercisable after three years of effectiveness of the grant and provided that the employee continues to be eligible (i.e. employed with a valid grant) to receive a payment equal to the excess, if any, over the "Notional Exercise Price" (as determined by the Board with respect to each grant) of the average 30 days stock price for the Company's stock at the time of exercise multiplied by the number of share units in respect of which the grant is exercised (the "Grant Profit") (see note 26).

## Year ended 31 December 2012

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Number of shares	Number exercisable at year end	Start date	End date	Price per share
2010	2,100,000	–	(100,000)	–	2,000,000	30 06 2010	30 06 2015	150 0p
2010	540,000	–	(125,000)	–	415,000	15 08 2010	15 08 2015	150 0p
2011	400,000	–	–	–	400,000	01 01 2011	01 01 2016	150 0p
2011	25,000	–	–	–	25,000	15 01 2011	15 01 2016	150 0p
2011	200,000	–	–	–	200,000	15 03 2011	15 03 2016	150 0p
<b>Total</b>	<b>3,265,000</b>	<b>–</b>	<b>(225,000)</b>	<b>–</b>	<b>3,040,000</b>			

## Year ended 31 December 2011

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Number of shares	Number exercisable at year end	Start date	End date	Price per share
2010	2,100,000	–	–	–	2,100,000	30 06 2010	30 06 2015	150 0p
2010	540,000	–	–	–	540,000	15 08 2010	15 08 2015	150 0p
2011	–	400,000	–	–	400,000	01 01 2011	01 01 2016	150 0p
2011	–	25,000	–	–	25,000	15 01 2011	15 01 2016	150 0p
2011	–	200,000	–	–	200,000	15 03 2011	15 03 2016	150 0p
<b>Total</b>	<b>2,640,000</b>	<b>625,000</b>	<b>–</b>	<b>–</b>	<b>3,265,000</b>			

The Group's mid-market closing share price at 31 December 2012 was 117 5p (31 December 2011: 106 0p). The highest and lowest mid-market closing share prices during the year were 122 5p (2011: 128 0p) and 70 5p (2011: 63 5p) respectively.

The weighted average exercise price at the beginning of 2012 was 77 86p (2011: 79 65p) and end of period was 92 66p (2011: 77 86p).

Under the terms of the equity-settled option scheme the holder has the option, at the time of exercise, to elect to forego a number of their share options, and thereby reduce the exercise price of the remaining shares by the notional gain on the shares foregone. The effect of this is that the number of shares exercised and the price per share may be lower than as disclosed in the table above.

The options and long-term benefits are granted to employees, exercise of the vested options is conditional upon the individual being employed by the Company at the date of exercise.

The initial fair values of awards granted under the Group's equity option and long-term cash settled 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 liability in relation to the cash-settled long-term service benefits is recalculated at each balance sheet date based on the fair value of the cash-settled benefit at the balance sheet date, with the corresponding movement recognised in the income statement. The following principal assumptions were used in the valuation:

#### Equity-settled – Discretionary share option incentive plan

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%	4.65%	3.7 years
8 Dec 2005	265 1p	265 1p	33.02%	8 Dec 2015	0%	4.23%	3.3 years
13 Sep 2006	174 5p	174 5p	40.68%	13 Sep 2016	0%	4.57%	4.3 years
13 Jun 2007	85 7p	85 7p	30.99%	13 Jun 2017	0%	5.42%	4.0 years
11 Feb 2008	82 4p	100 0p	53.14%	11 Feb 2018	0%	4.49%	4.2 years
15 Jul 2008	113 3p	113 3p	53.14%	15 Jul 2018	0%	5.17%	3.0 years
11 Dec 2008	67 5p	70 0p	55.63%	11 Dec 2018	0%	4.49%	3.8 years
6 Oct 2011	87 0p	83 0p	49.57%	6 Oct 2021	0%	1.58%	5.0 years
13 Jul 2012	76 0p	100 0p	49.57%	13 Jul 2022	0%	0.75%	3.0 years
5 Dec 2012	100 0p	100 0p	49.57%	5 Dec 2022	0%	0.86%	3.0 years

#### Cash-settled – Long-term service benefits

Grant date	Share price at date of grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Employee turnover
30 Jun 2010	150 0p	150 0p	47.72%	30 Jun 2015	0%	2.07%	3.5 years
15 Aug 2010	150 0p	150 0p	47.97%	15 Aug 2015	0%	1.84%	3.0 years
1 Jan 2011	110 9p	150 0p	52.83%	1 Jan 2014	0%	2.03%	3.0 years
15 Jan 2011	104 5p	150 0p	52.93%	15 Jan 2014	0%	2.27%	3.0 years
15 Mar 2011	92 8p	150 0p	51.18%	15 Mar 2014	0%	2.06%	3.0 years

The fair values of awards granted under the Group's option plan have been calculated 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:

## Equity-settled – Discretionary share option incentive plan

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
6 Oct 2011	23p
13 Jul 2012	19p
5 Dec 2012	41p

## Cash-settled – Long-term service benefits

Grant date	Fair value
30 Jun 2010	55p
15 Aug 2010	51p
1 Jan 2011	31p
15 Jan 2011	27p
15 Mar 2011	20p

## Expense arising from share-based payments

Based on the above fair values and the Group's expectations of employee turnover, the expense arising from equity-settled share options made to employees was \$24,000 for the period (2011 \$107,000) and for cash-settled long-term service benefits was \$868,000 for the period (2011 \$190,000)

During the period, there were no ordinary shares issued in lieu of certain portions of salaries and Director fees (2011 \$nil) 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 2012		As at 1 January 2012	
	Ordinary shares	Options	Ordinary shares	Options
Mikel Faulkner	350,000	1,890,000	235,250	1,890,000
Stephen Voss	333,068	1,200,000	113,068	1,200,000
Alan Henderson	14,527	150,000	14,527	150,000
David Quint	120,000	150,000	94,390	150,000
<b>Total</b>	<b>817,595</b>	<b>3,390,000</b>	<b>457,235</b>	<b>3,390,000</b>

All the holdings are beneficially held

During 2011, Alan Henderson exercised options in respect of 10,765 ordinary shares The gain made by Alan Henderson was \$14,412

### 32 Capital commitments

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

	2012 \$'000	2011 \$'000
Block 95 (Peru) <sup>1</sup>	–	15,000
<b>Total</b>	<b>–</b>	<b>15,000</b>

<sup>1</sup> In June 2012, the Group completed the sale of its remaining 40 per cent working interest of the Peruvian Block 95 Licence Contract

### 33 Related party disclosures

HKN and its parties in concert are major shareholders of the Group. The Group holds total loans payable with HKN of \$17 million, represented by two US Dollar denominated loans of \$5 and \$12 million. The loans payable incur an interest rate of 12.5 per cent per annum and are due and payable in April 2013 and September 2013, respectively. Please see note 35 for information on the restructuring of these loans payable with HKN.

	Services provided 2012 \$'000	Amounts owed to related parties as at 31 December 2012 \$'000	Services provided 2011 \$'000	Amounts owed to related parties as at 31 December 2011 \$'000
HKN, Inc	2,041	17,000	676	5,000
RP&C International Ltd	–	–	70	–

Compensation paid to key management personnel including Directors, Executive Directors and senior management is disclosed in note 7.

### 34. Contingent liability

Historically, the Group has elected to benefit from a tax deduction on eligible capital expenditures related to drilling activity in Colombia. The tax deduction is from a regulatory perspective set to reverse upon the sale of the qualifying asset. In addition, the benefit is reduced to the extent that, on a pro-rata basis, the deduction has not been earned within a 10 year time limit case in which a pro-rata tax charge will accrue. Since no additional deduction was taken during 2012 (2011: \$nil), and as at the year end, the Directors do not consider that disposal of any subject assets is probable no provision has been recognised.

### 35 Post reporting date events

In March 2013, the Group completed the restructuring of the notes payable to HKN of \$5 million and \$12 million, respectively, which were both due and payable in 2013 into one new note agreement (the "Amortising Note Payable") for the combined principal amount of \$17 million. The Amortising Note Payable is not convertible into shares and is subject to an interest charge of 12.75 per cent per annum, payable quarterly in arrears, with the following principal repayment amounts and dates:

- \$500,000 – due on 31 March 2013
- \$1.5 million – due quarterly beginning 30 June 2013 through 31 March 2015
- \$4.5 million – due on 15 June 2015

The Amortising Note Payable is currently unsecured, but HKN can require the Group to provide adequate collateral security in the event of a material adverse effect. The Group also paid to HKN a 2.0 per cent transaction fee of \$340,000.

# Company Accounts

## TABLE OF CONTENTS

	PAGE
Statement of Directors' Responsibilities	57
Independent Auditors' Report to the Members of Global Energy Development PLC	58
Company Balance Sheet	59
<b>Notes to the Financial Information</b>	
1 Accounting policies	60
2 Staff costs and audit fee	61
3 Tangible assets	61
4 Investment in subsidiaries	61
5 Debtors	62
6 Cash in bank and on hand	62
7 Creditors amounts falling due within one year	62
8 Creditors amounts falling due in more than one year	62
9 Convertible loan notes	63
10 Long-term service benefits provision	63
11 Share capital	63
12 Share-based payments	63
13 Movement on reserves	63
14 Reconciliation of movements in shareholders' deficit	63
15 Related party disclosures	64
16 Post reporting date events	64

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with United Kingdom Accounting Standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Website publication**

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company'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 Company'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 Members of Global Energy Development PLC

We have audited the Parent Company financial statements of Global Energy Development PLC for the year ended 31 December 2012 which comprise the Parent Company balance sheet and the related notes. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

## Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on Financial Statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on Other Matters Prescribed by the Companies Act 2006

The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

## Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the group financial statements of Global Energy Development Plc for the year ended 31 December 2012.

  
Scott Knight (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

26 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Company Balance Sheet

## As at 31 December 2012

	Note	2012 \$'000	2011 \$'000
<b>Fixed assets</b>			
Tangible assets	3	2	8
Investment in subsidiaries	4	12,824	10,734
		<b>12,826</b>	<b>10,742</b>
<b>Current assets</b>			
Debtors	5	41	65
Cash at bank and on hand	6	6,010	4,104
		<b>6,051</b>	<b>4,169</b>
Creditors amounts falling due within one year	8	(11,607)	(10,318)
Short-term notes payable	7	(17,000)	(5,000)
Convertible loan notes	9	-	(9,372)
<b>Net current (liabilities)</b>		<b>(22,556)</b>	<b>(20,521)</b>
<b>Total assets less current liabilities</b>		<b>(9,730)</b>	<b>(9,779)</b>
Non-current liabilities			
Long-term service benefits	10	(1,148)	(280)
<b>Net (liabilities)</b>		<b>(10,878)</b>	<b>(10,059)</b>
<b>Capital and reserves</b>			
Called up share capital	11	608	546
Share premium account	13	27,139	27,139
Other reserve	13	-	927
Profit and loss account	13	(38,625)	(38,671)
<b>Shareholders' (deficit)</b>	14	<b>(10,878)</b>	<b>(10,059)</b>

These financial statements were approved by the Board of Directors and authorised for issue on 26 March 2013 and were signed on its behalf by



Mikel Faulkner  
Chairman  
26 March 2013



Stephen Voss  
Managing Director  
26 March 2013

Global Energy Development PLC  
3 More London Riverside  
London SE1 2AQ  
UK

The notes on pages 60 to 64 form an integral part of these financial statements

# Notes to the Financial Information

## For the 12 months ended 31 December 2012

### 1 Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and UK Generally Accepted Accounting Principles ("UK GAAP") The following paragraphs describe the main accounting policies under UK GAAP, which have been applied consistently

#### Results and dividends

In accordance with the provisions of section 408 of the Companies Act 2006 the Company has elected not to present a profit and loss account

The loss for the year was \$905,000 (2011 \$5,018,000)

The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2012 (2011 \$nil)

#### 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

#### Convertible debt

In accordance with FRS25, the Company had classified the previously-outstanding convertible debt in issue as a compound financial instrument Accordingly, the Company presented the liability and equity components separately on the balance sheet The classification of the liability and equity components was not reversed as a result of a change in the likelihood that the conversion option would be exercised No gain or loss arose from initially recognising the components of the instrument separately Interest on the debt element of the loan was accreted over the term of the loan Costs associated with the raising of debt were set off against the gross value of monies received (see note 9)

#### 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

Where share-based payments are awarded in lieu of services, the fair value of the share-based payment is considered to be the value of services

#### Long-term service benefits

The Company also operates a cash settled share-based payment scheme ("the long-term incentive bonus award") An option pricing model is used to measure the Company liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service Movements in the liability (other than cash payments) are recognised in the profit and loss account

#### Post retirement benefits

The Company contributes to a defined contribution scheme at the discretion of the Board of Directors Contributions are charged to the profit and loss account as they become payable

#### Foreign currencies

The functional currency of the Company 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

### Borrowings

Borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

### 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. Staff costs and audit fee

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 note 7 in the Group Financial Statements.

### 3 Tangible assets

	Office Equipment & Other \$ '000
<b>Cost</b>	
At 1 January 2012	1,073
Disposals	(678)
<b>At 31 December 2012</b>	<b>395</b>
<b>Depreciation</b>	
At 1 January 2012	(1,065)
Disposals	672
<b>At 31 December 2012</b>	<b>(393)</b>
<b>Net book value at 31 December 2012</b>	<b>2</b>
Net book value at 31 December 2011	8

### 4 Investments in subsidiaries

	\$ '000
At 1 January 2012	10,734
Increase	2,090
<b>At 31 December 2012</b>	<b>12,824</b>

Included within investments in subsidiaries are inter-Group loans. The investments in subsidiaries is primarily related to cash proceeds on inter-Group loans from Colombia operations transferred to the Company and used to fund Company expenses. The increase in investments in subsidiaries during 2012 is related to additional cash invested in the Colombian subsidiary, CEDCo, for capital expenditures.

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

Held directly	Country of incorporation	Class of share held by the capital held	Proportion Company
Colombia Energy Development Co	Cayman Islands	Ordinary	100%
Harken de Peru Holdings, Ltd	Cayman Islands	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Global Energy Management Resources Inc	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above

Colombia Energy Development Co	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%

All of the above companies and branches are engaged in oil development and production

## 5 Debtors

	2012 \$'000	2011 \$'000
Other debtors	34	49
Prepayments	7	16
	41	65

All amounts fall due for payment within one year

## 6. Cash in bank and on hand

	2012 \$'000	2011 \$'000
Cash in bank and on hand	6,010	4,104

All cash balances constitute demand deposits or short-term investments available at call and held in US Dollars and Colombian Pesos

## 7. Creditors amounts falling due within one year

See note 22 in the Group Financial Statements

## 8 Creditors amounts falling due in more than one year

	2012 \$'000	2011 \$'000
Amounts owed to subsidiaries	11,411	9,864
Accrued liabilities	196	454
	11,607	10,318

## 9 Convertible loan notes

	2012 \$'000	2011 \$'000
Balance bought forward	9,372	16,967
Purchase and cancelled convertible notes	(9,372)	(7,950)
Cash paid interest	(317)	(1,179)
Coupon interest	239	1,179
Accreted interest	78	355
<b>Balance carried forward</b>	<b>–</b>	<b>9,372</b>

On 3 February 2012, the Group irrevocably exercised its option to redeem and extinguish the remaining outstanding principal amount of its remaining convertible notes on 5 March 2012 (the "Redemption Date"). The convertible notes were redeemed for cash at the principal amount of the notes together with interest accrued up to (but excluding) the Redemption Date. All convertible notes have been fully extinguished and are no longer outstanding.

## 10 Long-term service benefits provision

	2012 \$'000	2011 \$'000
Balance bought forward	280	91
Charge for year	868	189
<b>Balance carried forward</b>	<b>1,148</b>	<b>280</b>

The Company granted to specific management employees a Long-Term Incentive Bonus Award (see note 31 in the Group Financial Statements)

## 11 Share capital

See note 30 in the Group Financial Statements

## 12 Share-based payments

See note 31 in the Group Financial Statements

## 13. Movement on reserves

	Share premium account \$'000	Profit and loss account \$'000	Other reserve \$'000
At 1 January 2012	27,139	(38,671)	927
Loss for the year	–	(905)	–
Share-based payment – options	–	24	–
Redemption of convertible notes	–	927	(927)
<b>At 31 December 2012</b>	<b>27,139</b>	<b>(38,625)</b>	<b>–</b>

## 14 Reconciliation of movements in shareholders' deficit

	2012 \$'000	2011 \$'000
Loss for financial year	(905)	(5,018)
Increase in share capital	62	6
Increase in share premium	–	595
Share option movements	24	83
Opening shareholder's funds	(10,059)	(5,725)
<b>Closing shareholders' (deficit)/funds</b>	<b>(10,878)</b>	<b>(10,059)</b>

## 15 Related party disclosures

HKN and its parties in concert are major shareholders of the Group. The Group holds total loans payable with HKN of \$17 million, represented by two US Dollar denominated loans of \$5 and \$12 million. The loans payable incur an interest rate of 12.5 per cent per annum and are due and payable in April 2013 and September 2013, respectively. Please see note 16 for information on the restructuring of these loans payable with HKN.

	Services provided 2012 \$'000	Amounts owed to related parties as at 31 December 2012 \$'000	Services provided 2011 \$'000	Amounts owed to related parties as at 31 December 2011 \$'000
HKN, Inc	2,041	17,000	676	5,000
RP&C International Ltd	–	–	70	–

## 16. Post reporting date events

See note 35 in the Group Financial Statements

## Forward-looking statements

This annual report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include, but are not limited to, statements regarding the Group's intentions, beliefs, or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this annual report. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained within this annual report, those developments may not be indicative of the developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, currency fluctuations (including the US Dollar), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, political and economic uncertainty. Save as required by law, the Group is under no obligation to update the information contained in this annual report.

Past performance cannot be relied on as a guide to future performance

# Corporate Directory

## **Directors**

Mikel Faulkner (Chairman)  
Stephen Voss (Managing Director)  
Alan Henderson (Non-executive Director)  
David Quint (Non-executive Director)

## **Executive Management**

Elmer Johnston (General Counsel and Company Secretary)  
Anna Williams (Finance Director)  
Richard O Cottle (Operations Director)  
Rodolfo Rivera (Explorations Vice-President – CEDCo)

## **Registered office**

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## **Website**

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## **Email**

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Registered in England No 4330608

## **Company Advisers**

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## **Auditors**

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## **Registrars**

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