Pursuing opportunities and assessing alternatives

Global Energy Development PLC
Annual Report and Accounts 2015

Global Energy Development PLC
is a debt-free company pursuing energy-based strategic opportunities to realise value for its shareholders.

Financial Position

As at 31 December 2015, the Company is debt-free, holds sufficient cash reserves and has no mandatory drilling obligations on its petroleum contract areas in Colombia, South America.

AIM

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

Business Review

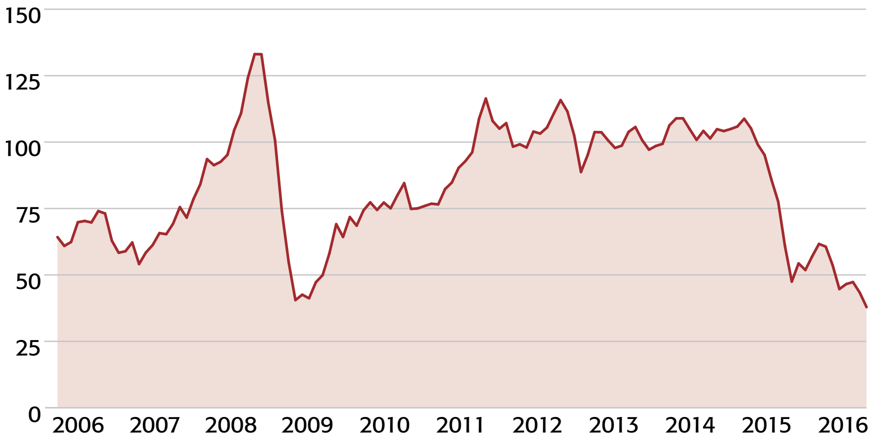
Corporate Governance

Financial Statements

Energy Market Conditions

Oil price history

Avg. Spot Price (Brent, WTI) $/barrel (bbl)

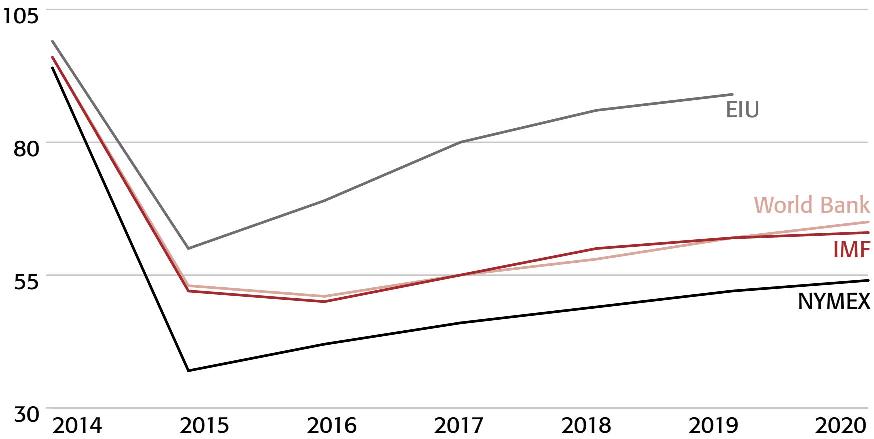


"Energy industry market conditions remain volatile."

- Oil prices have fallen drastically since 2014
- Remains volatile compared to '08 - '09
- Market favours an eventual turn around

Oil price forecast

Various Indexes in US$/bbl



- Experts suggest a slow and steady rise
- Differences on when the price will rise, and how quickly

Sources: NYMEX, U.S. Energy Information Administration, Economist Intelligence Unit, The World Bank, International Monetary Fund

Regional Asset Summary

The Company holds two contract areas in the Middle Magdalena region of Colombia: the Bolivar Association Contract and the Bocachico Association Contract.

Magdalena Valley, Colombia

Contract 1	Contract 2
Bolivar Colombia	**Bocachico** Colombia
Basin Middle Magdalena	**Basin** Middle Magdalena
Held with Empresa Colombiana de Petróleos ("Ecopetrol")	**Held with** Ecopetrol
Year signed 1996	**Year signed** 1994
Expiry date 2024	**Expiry date** 2022
Acreage 21,000	**Acreage** 54,700
Initial royalty (%) 20	**Initial royalty (%)** 20
Status Production & Development	**Status** Production & Development
Proved reserves (bbls)[1] –	**Proved reserves (bbls)**[1] –
2P reserves (bbls)[1] –	**2P reserves (bbls)**[1] –

2P = Proved plus probable
bbls = barrels of oil

1 Low oil pricing caused the proved and probable oil reserves within the Bocachico and Bolivar Contracts area to be uneconomic at 31 December 2015.

Chairman's Statement and Review of Operations

During 2015 we tightened our belts and streamlined the Group through the reduction of personnel, corporate and professional fees. The Group's Board of Directors also worked with its external advisers to analyse opportunities in both the petroleum development sector as well as the oilfield services sector. Even though oil prices continued to decline during the past year, energy companies overburdened with debt and high overheads fought to survive in hope of a quick pricing recovery. Oversupply of worldwide petroleum production and the continued lag in global economies has prolonged depressed oil prices, and we believe that many companies have still yet to realise the full extent of their losses and their overstretched capital and debt requirements. By contrast Global continues to be in a strong position to utilise its cash resources to acquire assets or companies during this downturn in the market. Unfortunately many energy businesses struggling in this economy have been slow to acknowledge reduced company valuations. This reluctance to accept the reality that a quick pricing turnaround is not imminent has caused us to proceed carefully during 2015 as we considered various acquisition opportunities. Thus far in 2016, we have seen no evidence of improvements in the industry or in oil prices.

With the goal of maximising earning potential whilst still allowing for adequate capital liquidity, management has taken steps to increase the Group's current return on its existing cash balances. On 15 September 2015, the Group and HKN, Inc. ("HKN") (collectively the "Co-Lenders") entered into a secured, short-term financing note agreement ("Note Receivable") with Everest Hill Energy Group Ltd. ("Everest") for the principal amount of $10 million. Under the Note Receivable, the Group participated as Co-Lender by loaning $8.0 million alongside HKN's loan of $2.0 million to Everest. The Note Receivable is secured by all of Everest's and its subsidiaries' shareholdings in Global and HKN. The Note Receivable is subject to an interest charge of 12 per cent per annum, payable monthly in arrears, with the principal amount being repayable in full on 15 March 2016. Everest paid to Global a 2 per cent transaction fee of $160,000 in September 2015. Since placing the Note Receivable in September, Global has earned $80,000 per month in interest income helping to mitigate overhead costs. In February 2016, the Board approved the amendment of the Note Receivable and extend the maturity date of the Note Receivable by six months to 15 September 2016. In addition, Global funded an additional $2 million principal amount on the amended Note Receivable.

In addition, we have worked to reduce our monthly cash burn and overhead structure. During 2015, the Group reduced the average personnel count (continuing and discontinued) from 47 to 16 employees. One-time redundancy costs totalling approximately $392,000 for personnel reductions were included in administrative expenses during the period.

The Group continues to hold its Bolivar and Bocachico Association Contracts in Colombia, South America. The Group is preserving its contract acreage in Colombia by maintaining its ongoing environmental, social, safety and reporting requirements while delaying capital expenditures related to development of its oil reserves in country. Global continues to be in discussions regarding possible strategic alternatives associated with its Colombian contracts.

Financials

During 2015, the Group's sole producing well in Colombia, the Torcaz #2 well, averaged approximately 35 gross barrels of oil per day ("bopd") yielding lifted volumes of 11,240 barrels of oil ("bbls") (2014: 8,565 bbls) and turnover of $365,000 (2014: $689,000). Average realised sales prices decreased to $32.46/bbl compared to $80.44/bbl for the prior year period.

Cost of sales decreased to $978,000 (2014: $1.7 million) during the period primarily due to reduced personnel, fuel, maintenance and transportation costs. The Group experienced a lower depreciation charge during 2015 due to the full impairment of the Bocachico area oil assets during the prior year. Gross loss decreased to $613,000 for 2015 compared to $990,000 for the prior year.

Administrative expenses increased to $4.5 million during 2015 compared to $3.6 million for the prior year. This increase was due primarily to $392,000 of one-time personnel redundancy costs paid during the year. In addition, during the prior year the Group was able to capitalise $625,000 of technical salaries for the Catalina #1 well project, therefore these salary costs were not recorded as an administrative expense. Salary costs for technical and operational personnel can be capitalised when their related time is clearly allocated to the development of a qualifying asset. The Group did not capitalise any salaries during the period, and all salary costs were recorded as an administrative expense. Other general and administrative cost areas, such as professional and corporate fees, decreased during 2015 in comparison to the prior year. During the period, share-based expense was approximately $14,000 compared to a benefit of $413,000 for the prior year due to a decrease in the Group's share price.

Finance and other expense during the period comprised solely of an accretion expense associated with the future decommissioning liabilities of the Group's Colombian contract areas. During the prior year, in addition to the accretion expense, the Group recorded $1.6 million of interest expense associated with its then-outstanding debt. The Group held no debt outstanding during 2015.

Chairman's Statement and Review of Operations continued

In 2015, a new Colombian equity tax was introduced and will be calculated each year for three years using a taxable base of the net equity (as at 1 January) at regressive rates of 1.15 per cent for 2015, 1.00 per cent for 2016 and 0.40 per cent for 2017. The payment of the tax is made in instalments twice per year (May and September). Current tax expense during the period included $125,000 for this new equity tax in addition to normal income and CREE tax expense. The decrease in net deferred tax liabilities during 2015 is primarily related to the increase in temporary differences between tax and accounting depreciation, the effect of the devaluation of the Colombian exchange rate (to the US Dollar) and the increase in Colombian fiscal tax loss carryforwards. New Colombian regulations were introduced in 2015 which allow tax loss carryforwards incurred beginning 2015 to be eligible to offset the CREE taxable amount with no expiration date. The Group recognised a benefit to deferred tax expense during the period of $2.4 million for the net decrease in deferred tax liabilities for the period.

Low benchmark oil prices of $38.21/bbl as at 31 December 2015 caused the proved and probable oil reserves within the Bolivar contract area to be uneconomic. Global was required to fully impair the $22.2 million of capitalised costs associated with its Bolivar Association Contract. Proved and probable oil reserves within the Bocachico contract area were uneconomic at oil benchmark prices of $57.33 per bbl as at 31 December 2014, and Bocachico's proved and probable reserves continued to be uneconomic at the lower oil prices as at 31 December 2015.

In the previous year, the Group disposed of its rights and obligations of its Llanos Basin contract areas (Rio Verde, Alcaravan and Los Hatos) through the sale of the entire issued share capital of CEDCO, for gross cash consideration of $50 million, net of approximately $1.0 million of initial purchase price adjustments for CEDCO's operating income received and capital expenditures spent by the Group during the period between the transaction's effective date (1 August 2014) and the closing date in December 2014. Pursuant to the share purchase agreement, the purchaser of CEDCO was required to send any final proposed adjustments to the purchase price 90 days after the closing date. In February 2015, the Group received the purchaser's adjustment statement with additional purchase price adjustments totalling $1.5 million. The Group had accrued the additional $1.5 million of proposed adjustments in its financial statements as of 31 December 2014. On 31 March 2015, the Group and the purchaser finalised the additional purchase price adjustments totalling $1.1 million following a review of the proposed adjustments in accordance with the share purchase agreement and such amount was paid in full on 31 March 2015. The resulting difference of approximately $386,000 is recorded to profit from discontinued operations in the statement of operations as at 31 December 2015. Based upon new Colombian regulation introduced in 2015, the pre-effective date CREE tax liabilities for discontinued operations previously accrued as at 31 December 2014 and owed by the Group were eliminated on the filing of the 2014 Colombian tax returns in May 2015. This elimination of the accrued CREE tax liability of approximately $661,000 is recorded to profit of discontinued operations in the statement of operations as at 31 December 2015. Profit from discontinued operations totalled $1.0 million during the year. Also during 2015, the Group paid $1.0 million of closing costs for the sale of CEDCO which the Group had accrued in its financial statements as of 31 December 2014.

Conclusion

With regard to the Group's strong cash balance, there are a number of options for the use of the cash including, for example, utilising the cash for an acquisition or investment. Presently, the Board believes that utilising cash to unlock the value in existing assets of targeted energy sector companies may create the greatest long-term value for shareholders.

Mikel D. Faulkner

Mikel Faulkner
Chairman
1 March 2016

Corporate Strategy

As uncertainty in the market prevails, the Company's goal in 2016 is to increase value for its shareholders by seeking investments or acquisitions within the energy sector with potential for upside. The Company seeks to position itself and its shareholders to take advantage of an eventual turnaround in the petroleum industry and related pricing increases.

"A market turnaround is a matter of timing."

In the current low oil price environment and capital-tight economy, the Company has a strong cash balance, a streamlined overhead structure and no mandatory contract or debt obligations. We are in a unique position to pursue strategic opportunities in this precarious economy.

Oil Reserves Information (unaudited)

As at 31 December 2015

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 PRMS 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. 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 located in Colombia, South America.

Estimated net proved and probable reserves of crude oil

	Proved South America Barrels ('000s)	Probable South America Barrels ('000s)	Total All Barrels ('000s)
At 1 January 2015			
Developed	–	–	–
Undeveloped	19,758	4,573	24,331
	19,758	**4,573**	**24,331**
Changes in year attributable to:			
Revision of previous estimates[1]	(19,745)	(4,573)	(24,318)
Production	(13)	–	(13)
Developed	**–**	**–**	**–**
Undeveloped	**–**	**–**	**–**
At 31 December 2015	**–**	**–**	**–**

1 The revisions in previous estimates are due to low oil benchmark prices of $38.21 per bbl before discounts as at 31 December 2015. The lower oil prices at year-end 2015 caused the proved and probable oil reserves within the Bolivar contract area to be uneconomic as at 31 December 2015. The proved and probable oil reserves within the Bocachico contract area were uneconomic at oil benchmark prices of $57.33 per bbl as at 31 December 2014. Bocachico's proved and probable reserves continued to be uneconomic at the lower oil prices as at 31 December 2015.

Directors' Biographies

Mikel Faulkner Chairman
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.

Alan Henderson Non-executive Director
Alan Henderson is chairman of Smart Matrix 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
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.

Zac Phillips Non-executive Director
Zac holds a Chemical Engineering degree and a doctorate of Chemical Engineering from BP and the University of Bath. From 2005 to 2010, Zac served as Chief Financial Officer and founding director of Dubai World's Oil & Gas Business, DB Petroleum (formerly BSG Energy). He currently acts as an independent energy consultant to companies during periods of development and expansion, assisting with areas such as investment banking, asset valuation, transaction support, cash flow assurance for debt issuance and capital market activity through Oil & Gas Advisors a financial management firm he founded. He currently holds the role of director for Kairos Petroleum and OGA Trading. He is also a member of the SPE, AIPN, the American Association of Petroleum Geologists and the Institute of Chemical Engineers.

Corporate Governance Statement

Statement by the Directors on Corporate Governance

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 September 2014, all the Directors remain committed to high standards of corporate governance and consider that the Board progressively adopts best practices. Although the Company does not apply the full requirements of the UK Corporate Governance Code, the following sections describe how the Board has applied the principles of the UK Corporate Governance Code that they consider relevant to a company of their size and stage of development.

The workings of the Board and its committees

The Board

The Board comprises three Non-executive Directors and one Executive Director. The Executive Director is Mikel Faulkner, who serves as the Chairman of the Company. The three Non-executive Directors are Alan Henderson, David Quint and Zac Phillips. 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/or 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 7. 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.

A summary of the number of meetings called and attended by the Directors of the Company during 2015 is provided below.

	Board Meetings	Audit Committee[1]	Remuneration Committee[1]	Total
Mikel Faulkner	5	–	–	5
Alan Henderson	5	2	2	9
David Quint	5	2	2	9
Zac Phillips	3	1	2	6

1 Only Non-executive Directors are entitled to attend the meetings of the Audit Committee and Remuneration Committee.

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.globalenergyplc.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 2015, the Company 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, interalia, 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

Regularly the Board reviews 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 2015.

Principal activities and future developments

The principal operational activities of the Group are oil production and development in Colombia, South America. During 2015, the Group streamlined its overhead structure to reduce future overhead costs, participated in a bridge financing in order to increase monthly returns on its cash balance and made progress in its assessment of strategic opportunities. Plans for future activities are included in the Chairman's Statement and Review of Operations on pages 3 and 4.

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 and liquidity position are described in the Chairman's Statement and Review of Operations on pages 3 and 4. In addition, note 22 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 its cash on hand.

The Group's forecast and projections, taking account of reasonably possible changes in performance, indicate the Group should be able to operate within the level of its current cash balance and internally generated cash flows. The Group has no mandatory capital expenditures in 2016, and all discretionary capital expenditure plans 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 and Review of Operations on pages 3 and 4 and the Corporate Governance Statement on pages 8 and 9, which form part of this report. The Group's primary key performance indicators and key events for 2015 were:

- Cash balance at 31 December 2015 of $25.6 million (31 December 2014: $41.2 million).
- Placement of secured Note Receivable for $8.0 million at 31 December 2015 with an interest rate of 12 per cent per annum (31 December 2014: $nil).
- Finalised and paid the purchase price adjustment of $1.1 million in March 2015 from the sale of CEDCO in late 2014.
- Outstanding debt balance at 31 December 2015 of $nil (31 December 2014: $nil).
- Completed substantive personnel and overhead cost reductions during 2015.
- Low oil prices of $38.21 per bbl at 31 December 2015 led to the full impairment of the capitalised costs for the Bolivar contract of $22.2 million.

Principal business risk factors

The Group is subject to various risks and uncertainties which derive from its oil development and production activities. These risks and uncertainties may have a material impact on the Company's performance and could cause future results to differ materially from expected and historical results. The Group's business risks and uncertainties include, but are not limited to, the items described below.

Crude oil pricing

The Group's revenue from operations is sensitive to the fluctuations in benchmark pricing for crude oil. There was a continued decline in oil pricing during 2015. Such declines in pricing negatively affect the Group's turnover, operating cash flow, net income and reserve estimates.

Reserve estimates

There are numerous uncertainties inherent in estimating reserve and assumptions that, whilst valid at the time of estimation, may change significantly when new information becomes available. Change in the forecast prices of oil, production costs or recover rates may change the economic status of reserve and may, ultimately, result in the reserves being restated. Such changes in reserves have impacted depreciation and amortisation rates and asset carrying values. The Group utilises the expertise of third party consultants to report on its reserves estimates to increase the reliability of its estimations.

Health, safety and environmental

The Group operates in an industry and country that is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Evolving regulatory standards and expectations can result in increased costs which can have a material and adverse effect on earnings and cash flows. The Group complies with all applicable environmental laws and regulations and seeks to apply cost-effective management practices to ensure the protection of the environment as well as worker and community health. The Group strives to make environmental management a high corporate priority. In addition, the Company's social and community policies include a framework that addresses local community needs and expectations within the context of the Company and its prudent business operations.

Results and dividends

The Group's net loss after taxation for the year amounted to $23.6 million (net loss in 2014: $22.1 million). The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2015 (2014: $nil).

Financial instruments

Note 22 on pages 40 to 43 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 2015.

Directors

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

Mikel Faulkner	Chairman
David Quint	Non-executive Director
Zac Phillips	Non-executive Director
Alan Henderson	Non-executive Director

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

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 2015		As at 31 December 2014	
	Ordinary shares	**Options**	Ordinary shares	Options
Mikel Faulkner	**370,000**	**1,890,000**	370,000	1,890,000
Alan Henderson	**14,527**	**150,000**	14,527	150,000
David Quint	**135,000**	**150,000**	135,000	150,000
Zac Phillips	**4,872**	**50,000**	4,872	50,000
Total	**524,399**	**2,240,000**	524,399	2,240,000

All the holdings are beneficially held.

Details of the Director's holdings of cash-settled – long-term service benefits, as previously issued, are as follows:

	As at 31 December 2015		As at 31 December 2014	
	Units	**Notional Price (£)**	Units	Notional Price (£)
Mikel Faulkner	**–**	**–**	600,000	1.50
Alan Henderson	**–**	**–**	100,000	1.50
David Quint	**–**	**–**	100,000	1.50
Zac Phillips	**–**	**–**	–	–
Total	**–**	**–**	800,000	–

Note 24 on pages 44 to 47 provides further detail on these cash-settled – long-term service benefits.

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 13).

Auditors

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. A resolution to reappoint RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) as auditors for the ensuing year will be proposed at the forthcoming Annual General Meeting.

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

Mikel Faulkner
Chairman
1 March 2016

Global Energy Development PLC
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London SE1 2AQ
UK

Strategic Report

Section 414C of the Companies Act 2006 (the "Act") requires that the Company inform members as to how the Directors have performed their duty to promote the success of the Company, by way of a Strategic Report.

Set out below are the applicable reporting requirements under the Act for the purposes of the Strategic Report, together with guidance to other applicable sections of the 2015 Annual Report, which are incorporated by reference into the Company's Strategic Report.

Fair review of the business
(Section 414C (2) (a) of the Act)

The information is contained on pages 3 and 4 of the Chairman's Statement and Review of Operations.

Principal risks and uncertainties
(Section 414C (2) (b) of the Act)

This information is contained in Principal Business Risk Factors on page 10 and the Corporate Governance Statement on pages 8 and 9.

Analysis of the development and performance of the business
(Section 414C (3) of the Act)

This information is contained on pages 3 and 4 of the Chairman's Statement and Review of Operations.

Analysis using key financial performance indicators
(Section 414C (4) (a) of the Act)

This information is contained on pages 3 and 4 of the Chairman's Statement and Review of Operations and page 6 of the Oil Reserves Information.

Approval of the Board
(Section 414D (1) of the Act)

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil exploration and production business. While the Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

By order of the Board.

Mikel D. Faulk

Mikel Faulkner
Chairman
1 March 2016

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Corporate Social Responsibility

The Company continues to hold two petroleum production and development contracts in Colombia, South America.

The Group has been active in Colombia for approximately 25 years, and has strived throughout this time to be recognised as one that maintains the highest standards in all areas of its operations.

For the purposes of its limited 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.

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 through continual review of its policies and procedures and education of employees.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Global Energy Development PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Statements

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

We have audited the group and parent company financial statements ("the financial statements") on pages 17 to 57. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 14, 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 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 Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

PAUL WATTS (Senior Statutory Auditor)
For and on behalf RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
1 March 2016

Consolidated Statement of Comprehensive Income
For the 12 months ended 31 December 2015

	Note	**2015 $'000**	2014 $'000
Continuing operations			
Revenue	2	**365**	689
Cost of sales		**(978)**	(1,679)
Gross loss		**(613)**	(990)
Other income		**8**	14
Administrative expenses		**(4,478)**	(3,644)
Share-based (expense)/credit	6	**(14)**	413
Exchange rate expense		**(59)**	(113)
Impairment loss	12	**(21,813)**	(11,163)
Operating loss from continuing operations		**(26,969)**	(15,483)
Finance income	7	**440**	1
Finance expense	8	**(196)**	(1,793)
Loss before taxation from continuing operations		**(26,725)**	(17,275)
Tax benefit	9	**2,114**	2,311
Loss from continuing operations, net of tax		**(24,611)**	(14,964)
Income / (loss) from discontinued operations, net of tax	3	**1,047**	(7,173)
Total comprehensive loss for the year attributable to the equity owners of the parent		**(23,564)**	(22,137)
Loss per share for continuing operations			
– Basic	4	**$(0.68)**	$(0.41)
– Diluted	4	**$(0.68)**	$(0.41)
Earnings/(loss) per share for discontinued operations			
– Basic	4	**$0.03**	$(0.20)
– Diluted	4	**$0.03**	$(0.20)
Total loss per share			
– Basic	4	**$(0.65)**	$(0.61)
– Diluted	4	**$(0.65)**	$(0.61)

The notes on pages 21 to 47 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2015

	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained losses $'000	Total equity $'000
At 1 January 2014	608	27,139	210,844	(157,701)	80,890
Total comprehensive income for the year attributable to equity holders of the parent	–	–	–	(22,137)	(22,137)
Share-based payment – options equity settled	–	–	–	51	51
Disposal of CEDCO	–	–	(158,989)	155,985	(3,004)
At 1 January 2015	**608**	**27,139**	**51,855**	**(23,802)**	**55,800**
Total comprehensive loss for the year attributable to equity owners of the parent	–	–	–	(23,564)	(23,564)
Share-based payment – options equity settled	–	–	–	17	17
At 31 December 2015	**608**	**27,139**	**51,855**	**(47,349)**	**32,253**

The notes on pages 21 to 47 form an integral part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2015

	Notes	2015 $'000	2014 $'000
Assets			
Non-current assets			
Intangible assets	11	**93**	33
Property, plant and equipment	12	**145**	22,263
Total non-current assets		**238**	22,296
Current assets			
Inventories	14	**246**	290
Note receivable	15	**8,040**	–
Trade and other receivables	16	**344**	467
Prepayments and other assets	17	**983**	1,014
Cash and cash equivalents	18	**25,608**	41,153
Total current assets		**35,221**	42,924
Total assets		**35,459**	65,220
Liabilities			
Non-current liabilities			
Deferred tax liabilities (net)	10	**(6)**	(2,375)
Long-term provisions	19	**(2,005)**	(2,130)
Total non-current liabilities		**(2,011)**	(4,505)
Current liabilities			
Trade and other payables	20	**(1,116)**	(3,782)
Corporate and equity tax liability	21	**(79)**	(1,133)
Total current liabilities		**(1,195)**	(4,915)
Total liabilities		**(3,206)**	(9,420)
Net assets		**32,253**	55,800
Capital and reserves attributable to equity holders of the parent			
Share capital	23	**608**	608
Share premium account		**27,139**	27,139
Capital reserve		**51,855**	51,855
Retained deficit		**(47,349)**	(23,802)
Total equity		**32,253**	55,800

These financial statements were approved by the Board of Directors and authorised for issue on 1 March 2016 and were signed on its behalf by:

Mikel Faulkner
Chairman
1 March 2016

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

The notes on pages 21 to 47 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the 12 months ended 31 December 2015

	Note	**2015 $'000**	2014 $'000
Cash flows from operating activities			
Cash generated from operations	3	**(5,108)**	6,295
Tax paid (continuing and discontinued operations)		**(586)**	(5,560)
Net cash (used in) generated from operating activities		**(5,694)**	735
Cash flows from investing activities			
Interest income from note receivable	15	**240**	–
Commission income from note receivable	15	**160**	–
Placement of note receivable	15	**(8,000)**	–
Gross proceeds from sale of subsidiary		**–**	50,000
Purchase price adjustments for sale of subsidiary		**(1,161)**	(998)
Cost paid for sale of subsidiary		**(1,000)**	–
Interest received		**8**	19
Purchase of property, plant and equipment		**(98)**	(7,539)
Decrease in short term deposits (discontinued operations)		**–**	(480)
Net cash (used in) provided by investing activities		**(9,851)**	41,002
Cash flows from financing activities			
Farm-out partner cash calls		**–**	6,238
Bolivar farm-out proceeds		**–**	5,000
Bocachico farm-out proceeds		**–**	1,000
Fees paid for Bolivar and Bocachico farm-outs		**–**	(2,372)
Debt principal repayments		**–**	(12,000)
Repayment of finance leases (discontinued operations)		**–**	(360)
Interest paid		**–**	(1,505)
Net cash used in financing activities		**–**	(3,999)
(Decrease) increase in cash and cash equivalents for the year		**(15,545)**	37,738
Cash and cash equivalents at beginning of year	18	**41,153**	3,415
Cash and cash equivalents at the end of year		**25,608**	41,153

The notes on pages 21 to 47 form an integral part of these financial statements.

Notes to the Primary Financial Statements
For the 12 months ended 31 December 2015

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. 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.

The financial statements of the Group for the 12 months ended 31 December 2015 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 2015 and adopted by the Group:

Standard description	Date of adoption	Impact on initial application
IFRIC 21 Levies	17 June 2014	This is an Interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets on the accounting for levies imposed by governments. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
Annual Improvements to IFRSs 2011-2013 Cycle	1 January 2015	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.

(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
Annual Improvements to IFRSs 2010–2012 Cycle	1 February 2015	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	1 February 2015	The amendments allow fixed contributions to be recognised as a reduction in the service cost in the period in which the employee's services are rendered, instead of being attributed to periods of service as a 'negative benefit'.
Amendments to IAS 1: Disclosure Initiative	1 July 2016	Amended to further clarify the concept of materiality, namely that it is applicable to the financial statements as a whole, not just the primary statements and that it applies to specific disclosures required by an IFRS and, therefore, an entity does not have to disclose information required by an IFRS if that information would not be material.
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Clarifies that preparers should not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets.
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Introduces guidance as to how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 Business Combinations. Proposes that a joint operator should apply the relevant principles for business combinations accounting in IFRS 3 and other relevant IFRSs when accounting for these acquisitions.
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016	Bearer plants brought into the scope of IAS 16 because their operation is similar to manufacturing. Initial measurement at cost, then accounting choice either cost or revaluation model may be applied to each class of bearer plant. Related agricultural produce remains in scope of IAS 41.
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.

1. Accounting policies continued

Standard description	Date of adoption	Impact on initial application
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	Restoration of the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities*		Clarifies that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. This clarification extends to the equity method for entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 clarifies that an investment entity is not excluded from the scope of the standard.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	Clarifies deferred tax on unrealised losses generated by debt instruments carried at fair value.
Amendments to IAS 7: Disclosure Initiative*	1 January 2017	The amendments clarify and improve information provided to users of financial statements about an entity's financing activities.
IFRS 9 Financial Instruments*	1 January 2018	Replacement to IAS 39 and is built on a logical, single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Also addresses the so-called 'own credit' issue and includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.
IFRS 15 Revenue from Contracts with Customers*	1 January 2018	Introduces requirements for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue and provides or improves guidance for transactions that were not previously addressed comprehensively and for multiple-element arrangements.
IFRS 16 Leases*	1 January 2019	The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

* Not yet endorsed in the EU

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-makers. The chief operating decision-makers have been identified as the management team including the Chairman and the Finance Director.

During 2015, the Group operated two operating segments, the Bolivar Contract area (the "Bolivar area") and the Bocachico Contract area (the "Bocachico area") in the Magdalena Valley of Colombia, South America. The primary function of the Group's segments is the development and sale of hydrocarbons and related activities in Colombia.

1. Accounting policies continued

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; or
- 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 sales and geographical area 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.

1. Accounting policies continued

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 General and Administrative 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.

1. Accounting policies continued

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 CGU. Cash generating units are identified in accordance with IAS 36 'Impairment of Assets', where cash flows are largely independent of other significant asset 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 CGU 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 assets 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 sales 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 IFRS 11.

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 two and five years.

Notes to the Primary Financial Statements continued
For the 12 months ended 31 December 2015

1. Accounting policies continued

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 income 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. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income as it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at, or substantively enacted by, the balance sheet date.

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.

1. Accounting policies continued

Cash and cash equivalents

Cash and cash equivalents comprise cash in 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.

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 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 Statement of Comprehensive Income.

1. Accounting policies continued

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 on transition to IFRS. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

Functional and presentational currency

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

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 2);
- Impairment of property, plant and equipment (note 12);
- Commercial reserves estimates (on page 6); and
- Decommissioning provision (note 19).

2. Segmental analysis

For management purposes, the Group organised its business units based upon the field locations of its production, development and sale of hydrocarbons and related activities in Colombia, South America as follows:

- Bolivar area (comprised of the Bolivar Contract in the Magdalena valley)
- Bocachico area (comprised of the Bocachico Contract in the Magdalena valley)

Segment performance is evaluated and measured consistently with operating profit in the consolidated financial statements. However, the Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

	Bolivar segment $'000	**Bocachico segment $'000**	**Other segment $'000**	**Total 2015 $'000**	Bolivar segment $'000	Bocachico Segment $'000	Other segment $'000	Total 2014 $'000
Total revenues[1]	**3**	**362**	**–**	**365**	39	650	–	689
Loss before tax[1]	**(22,583)**	**(37)**	**(4,105)**	**(26,725)**	(839)	(11,758)	(4,678)	(17,275)
Total non-current assets	**83**	**4**	**151**	**238**	22,193	–	103	22,296
Total non-current liabilities	**(1,278)**	**(727)**	**(6)**	**(2,011)**	(5,670)	1,106	59	(4,505)

1 From continuing operations

The loss before tax for the Bolivar segment for the year ended 31 December 2015 contains the $22.2 million impairment of the carrying value of the Bolivar oil assets due to the decline in oil prices and the resulting uneconomic nature of the proved and probable oil reserves.

The loss before tax for the Bocachico segment for the year ended 31 December 2015 was slightly mitigated due to a net gain recognised during the year of $425,595 primarily for the reduction of the decommissioning and environmental liabilities. The loss before tax for the Bocachico segment for the year ended 31 December 2014 contains the $11.2 million impairment of the carrying value of the Bocachico oil assets due to the decline in oil prices and the resulting uneconomic nature of the proved and probable oil reserves.

All oil revenues from the Group's business units are generated entirely in Colombia and result from sales to Colombia-based customers. Revenue from continuing operations from one major customer exceeded 10 per cent, and amounted to $365,896 and $497,000 arising from sales of crude in 2015 and 2014, respectively.

Non-current assets comprise intangible assets (note 11) and property, plant and equipment (note 12) and exclude deferred tax assets (note 10).

3. 2014 discontinued operations – CEDCO

In December 2014, the Group closed on the sale of its wholly-owned subsidiary, CEDCO, with an effective date of 1 August 2014. CEDCO held the Company's former contract areas (Rio Verde, Alcaravan and Los Hatos contracts) within the Llanos Basin of Colombia, South America. These contracts previously comprised the majority of the Company's oil producing properties. As a result of this disposal in 2014, the operations of CEDCO were treated as discontinued operations. As per the sale agreement, the Group finalised and paid all proposed adjustments to the purchase price during March 2015.

Colombia	**2015 $'000**	2014 $'000
Revenue	–	16,440
Cost of sales	–	(10,977)
Gross profit	–	5,463
Other income (expense)	–	(5)
Administrative expenses	–	(1,060)
Finance income	–	18
Finance expense	–	(298)
Profit before taxation	–	4,118
Tax benefit (expense)[1]	**661**	(4,274)
Profit/(loss) after taxation	**661**	(156)
Gain/(loss) on disposal of business (including fees and purchase price adjustments)[2]	**386**	(7,017)
Income/(loss) from discontinued operations	**1,047**	(7,173)

1 Based upon new Colombian regulation introduced in 2015, the 2014 pre-effective date CREE tax liabilities for discontinued operations previously accrued as at 31 December 2014 and owed by the Group were able to be eliminated upon the filing of the 2014 Colombian tax returns in May 2015. The elimination of the accrued CREE tax liability of approximately $661,000 was recorded to profit from discontinued operations in the statement of operations as of 31 December 2015.

2 Per the share purchase agreement, the purchaser of CEDCO could send proposed adjustments to the purchase price following 90 days after the closing date. In February 2015, the Group received the purchaser's adjustment statement with proposed additional purchase price adjustments totalling $1.5 million. The Group accrued the $1.5 million of proposed adjustments in its financial statements as of 31 December 2014. On 31 March 2015, the Group and the purchaser agreed upon the finalised purchase price adjustment of $1.1 million following review of the proposed adjustments in accordance with the share purchase agreement.The $1.1 million was paid to the purchaser in March 2015. The resulting difference of approximately $386,000 was recorded to profit from discontinued operations in the statement of operations as of 31 December 2015.

Notes to the Primary Financial Statements continued
For the 12 months ended 31 December 2015

3. 2014 discontinued operations – CEDCO continued
Reconciliation of loss before taxation to net cash flow from operations

	Note	2015 $'000	2014 $'000
Continuing operations			
Loss before tax		**(26,725)**	(17,275)
Adjustments for:			
Depreciation of property, plant & equipment	12	**78**	191
Amortisation of intangible assets	11	**4**	1
Other income		**(8)**	–
Impairment charge	12	**21,813**	11,163
Share based expense/(benefit)	24	**14**	(413)
Finance income		**(440)**	(1)
Finance cost		**196**	1,793
Operating cash flow before movements in working capital		**(5,068)**	(4,541)
Decrease in inventories	14	**44**	113
Increase in trade and other receivables		**(569)**	(159)
(Decrease)/increase in trade and other payables		**(159)**	2,328
Cash used from continuing operations		**(5,752)**	(2,259)
Discontinued operations			
Profit before tax		**–**	4,118
Adjustments for:			
Depreciation of property, plant & equipment	12	**–**	5,379
Amortisation of intangible assets	11	**–**	263
Income (loss) on sale of subsidiary		**1,047**	(7,017)
Finance income		**–**	(18)
Finance cost		**–**	298
Operating cash flow before movements in working capital		**1,047**	3,023
Increase in inventories	14	**–**	(841)
Increase in trade and other receivables		**–**	(1,361)
(Decrease)/increase in trade and other payables		**(403)**	7,733
Cash generated from discontinued operations		**644**	8,554
Cash (used)/generated from operations		**(5,108)**	6,295

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

	2015 $'000	2014 $'000
Net cash generated from operating activities	**108**	3,004
Net cash used in investing activities	**(87)**	(2,383)
Net cash used in financing activities	**–**	(433)
Total	**21**	188

4. (Loss)/earnings per share (EPS)

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

	2015 $'000	2014 $'000
Loss from continuing operations after taxation	**(24,611)**	(14,964)
Profit/(loss) from discontinued operations after taxation	**1,047**	(7,173)
Net loss attributable to equity holders	**(23,564)**	(22,137)
Loss per share for continuing operations		
– Basic	**$(0.68)**	$(0.41)
– Diluted	**$(0.68)**	$(0.41)
Earnings/(loss) per share for discontinued operations		
– Basic	**$0.03**	$(0.20)
– Diluted	**$0.03**	$(0.20)
Total loss per share		
– Basic	**$(0.65)**	$(0.61)
– Diluted	**$(0.65)**	$(0.61)
Basic weighted average number of shares	**36,112,187**	36,112,187
Dilutive potential ordinary shares		
Employee and Director share option plans	**–**	626,162
Diluted weighted average number of shares	**36,112,187**	36,738,349

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.

5. Operating loss from continuing operations

Loss from continuing operations is stated after charging/(crediting):

	2015 $'000	2014 $'000
Depletion, depreciation and amortisation (included in cost of sales):		
Oil assets	**–**	149
Intangible assets	**–**	1
Other property plant and equipment	**82**	42
Other cost of sales	**896**	1,487
Employee costs	**2,892**	1,878
Share-based payment – options – equity-settled (note 24)	**17**	51
Share-based payment – cash-settled (note 24)	**(3)**	(464)
Net foreign currency losses	**59**	113
Auditors' remuneration	**172**	382
Other administrative costs	**1,414**	1,384
Total cost of sales, administrative and other operating costs	**5,529**	5,023

Notes to the Primary Financial Statements continued
For the 12 months ended 31 December 2015

5. Operating loss from continuing operations continued
During the year, the Group obtained the following services from the Group's auditors at costs as detailed below:

Analysis of auditors' remuneration

	2015 $'000	2014 $'000
Principal Auditors		
Audit Services		
Statutory audit	**37**	120
Review of interim report	**12**	20
Other services	**6**	–
Other Auditors		
Audit of subsidiaries pursuant to legislation	**24**	59
Other services (tax)	**93**	183
Total auditors' remuneration	**172**	382

6. Employee costs
Group employee costs (including Executive Directors) during the year amounted to:

	2015 $'000	2014 $'000
Wages and salaries	**2,614**	1,569
Social security costs and other payroll taxes	**145**	110
Insurances and other benefits	**133**	138
Company contributions to defined contribution plan	**–**	61
Share-based payment – cash-settled (note 24)	**(3)**	(464)
Share-based payments – options – equity-settled (note 24)	**17**	51
Total employee costs	**2,906**	1,465

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

	2015	2014
Technical and operations	**7**	12
Management and administrative	**9**	14
Total Group employees	**16**	26

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 2015 $'000**	Total 2014 $'000
Executives						
Mikel Faulkner	264	–	500[2]	–	**764**	413
Non-executives[1]						
Alan Henderson	–	–	–	74	**74**	76
David Quint	–	–	–	74	**74**	76
Zac Phillips	–	–	–	74	**74**	81
Total	264	–	500[2]	222	**986**	646

1 The non-executive fees were paid in Pounds Sterling of the amount £47,500 each (2014: £47,500).
2 This bonus amount is comprised of a $350,000 bonus paid following the 2014 sale of the discontinued subsidiary (CEDCO) and a performance bonus of $150,000 for 2015.
3 Stephen Voss, who left during the period, received remuneration of $470,00 (2014: $400,000) of which $150,000 represented a redundancy payment.

6. Employee costs continued

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

	2015 $'000	2014 $'000
Non-executive Director fees	**222**	233
Compensation and benefits paid to key management personnel:		
Compensation paid	**696**	1,200
Performance bonuses	**730**	280
Health and life insurances	**43**	17
Company contributions to defined contribution plan	**11**	61
Company contributions to payroll taxation	**46**	56
Share-based payment – cash-settled (note 24)	**(3)**	(464)
Share-based payments – options – equity-settled (note 24)	**17**	51
Total	**1,762**	1,434

In accordance with IAS 24, at 31 December 2015, there were no amounts due to or from key management personnel (2014: nil).

7. Finance income

	2015 $'000	2014 $'000
Income on note receivable and others	**440**	1

8. Finance expense

	2015 $'000	2014 $'000
HKN Amortising Note Payable (see note 25)	**–**	1,601
Unwinding of discount on decommissioning provision	**196**	192
Total finance expenses	**196**	1,793

9. 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 approximately $26.2 million as at 31 December 2015 and $28.9 million as at 31 December 2014.

Colombian taxation

The Group pays taxes in Colombia through the branch offices of its wholly owned subsidiaries. The Colombian corporation tax is calculated as the CREE tax and the higher of net income tax or presumptive income tax 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 25 per cent is applied to the presumptive income to arrive at the tax obligation.
- Net income tax. Calculated at a rate of 25 per cent taking into account revenues minus costs, standard and special deductions.
- CREE tax. Calculated at a rate of 14 per cent for 2015, 15 per cent for 2016, 17 per cent for 2017 and 18 per cent for 2018. Beginning in 2019, the rate will reduce to 9 per cent thereafter. Tax loss carryforwards incurred beginning 2015 shall be eligible to offset the CREE taxable amount with no expiration date. Lastly, the CREE tax may not be less than three per cent of the taxpayer's net equity as of 31 December of the preceding taxable year.

Additionally, in 2015, a new Equity Tax was introduced and is calculated each year for three years using a taxable base of the Net Equity (as at 1 January) at progressive rates of 1.15 per cent for 2015, 1.00 per cent for 2016 and 0.40 per cent for 2017. The payment of the tax is required with instalments made twice per year (May and September).

Notes to the Primary Financial Statements continued
For the 12 months ended 31 December 2015

9. Income tax continued

The major components of income tax expense for the periods ended 31 December 2015 and 2014 are:

	2015 $'000	2014 $'000
Current taxes:		
Current income tax charge (continuing operations)[1]	**92**	509
Current income tax charge (discontinued operations)	**–**	141
CREE tax (continuing operations)	**33**	–
CREE tax (discontinued operations)[2]	**–**	1,022
Equity tax[3]	**125**	–
Other withholding tax (continuing operations)	**5**	47
Other withholding tax (discontinued operations)	**–**	64
Discontinued operations income tax from prior years[4]	**–**	5,300
Total current taxes	**255**	7,083
Deferred tax:		
Relating to origination and reversal of temporary differences (See note 10)	**(2,369)**	(2,867)
Discontinued operations	**–**	(2,253)
Total deferred tax (benefit)	**(2,369)**	(5,120)
Total income tax (benefit) for continued operations	**(2,114)**	(2,311)
Total income tax (benefit)/expense for discontinued operations	**(661)**	4,274
Total income tax (benefit)/expense reported in the income statement	**(2,775)**	1,963

1 Current income tax for 2015 was calculated under the presumptive income tax basis due to taxable losses generated in Colombia during the period. In 2014, the current income tax was the result of a 10 per cent Colombian capital gain tax charge on the gross proceeds received by the Group related to the Bolivar and Bocachico farm-out agreements. In December 2014, upon the termination of such agreements, the capital gains tax was recognised.

2 CREE tax for 2014 was due to the taxable profit generated from the transfer of the Bolivar and Bocachico Contracts between branch offices of the Group's wholly-owned Colombian subsidiaries in 2014. The transfer of assets located in Colombia (even between wholly-owned Group subsidiaries) constituted a disposition of assets for Colombian tax purposes since such assets represented more than 20% of the assets of the Group. The transfer of the Bolivar and Bocachico Contracts to newly-created wholly-owned Colombian branches during 2014 constituted more than 20% of the Group's consolidated assets.

3 The equity tax for 2015 was calculated at 1.15 per cent of the Group's net equity of its Colombian branches as of 1 January 2015.

4 The income tax for discontinued operations relates to the amended 2010 Colombian income tax return and the DIAN assessment. See note 3 for further detail.

Taxation reconciliation

The charge for the year can be reconciled to the loss per the statement of comprehensive income which includes amounts related to discontinued operations:

	2015 $'000	2014 $'000
Loss before tax in the Statement of Comprehensive Income	**(26,725)**	(20,174)
Tax benefit on Group loss at UK Corporation tax rate of 20% (2014: 21.5%)	**(5,345)**	(4,338)
Effects of:		
CREE tax	**33**	1,022
Presumptive income tax on alternative basis and other withholdings	**222**	251
UK tax on losses carried forward and losses not deductible	**3,390**	1,108
Effect of higher tax rates in the UK	**(1,336)**	(811)
Permanent differences on deferred taxes primarily arising from foreign exchange	**922**	(1,916)
Loss on disposal of CEDCO not deductible for tax purposes	**–**	838
Tax expense prior year	**(661)**	5,300
2014 capital tax on transfer of contracts	**–**	509
Total income tax (benefit) expense from comprehensive income reported in the income statement	**(2,775)**	1,963

10. Deferred tax

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

	2015 $'000	2014 $'000
Opening balance as of 1 January	**(2,375)**	(16,291)
Disposal of CEDCO	**–**	8,796
Change in deferred tax related to temporary differences and other	**2,369**	5,120
Closing balance as at 31 December	**(6)**	(2,375)

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 the Group's Colombian branches. Deferred taxes primarily have been provided at a 39 per cent rate, but in 2015, the rate was reduced to 34 per cent.

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 2014	9,078	1,012	10,090
Discontinued operations	(7,324)	–	(7,324)
Change in deferred tax related to temporary differences and other	(1,430)	(1,012)	(2,442)
As at 1 January 2015	324	–	324
Decrease in temporary differences[1]	(401)	–	(401)
Change in deferred tax related to exchange difference and other[3]	77	–	77
As at 31 December 2015	**–**	**–**	**–**

Deferred tax liabilities	Fixed assets value $'000	Inventory $'000	Total $'000
As at 1 January 2014	(26,425)	44	(26,381)
Discontinued operations	16,120	–	16,120
Changes in deferred tax related to temporary differences and other	7,533	29	7,562
As at 1 January 2015	(2,772)	73	(2,699)
Increase (decrease) in temporary differences[2]	3,414	(73)	3,341
Changes in deferred tax related to exchange difference and other[3]	(648)	–	(648)
As at 31 December 2015	**(6)**	**–**	**(6)**

1 The decrease in deferred tax assets during 2015 was primarily related to the change in the fiscal losses for Colombia.
2 The decrease in deferred tax liabilities during 2015 was primarily related to increased differences between tax and accounting depreciation following the full impairment of Bolivar's capitalised costs during the period for accounting purposes.
3 This change in deferred taxes was primarily related to the effect of the change in the exchange rate of the Colombian peso to the US dollar.

11. Intangible assets

The balance in intangible assets was associated with the costs of the SAP-ERP accounting system. The additions for 2015 relate to the cost of the new SAP-ERP accounting system for continuing operations. Software costs are reviewed annually for impairment.

	2015 $'000	2014 $'000
Costs		
At 1 January	**34**	829
Additions	**14**	34
Reclassification of PP&E	**50**	–
Disposal of CEDCO	**–**	(829)
Total costs	**98**	34
Accumulated amortisation		
At 1 January	**(1)**	(343)
Provided during the year (continuing operations)	**–**	(1)
Provided during the year (discontinued operations)	**–**	(263)
Reclassification of PP&E	**(4)**	–
Disposal of CEDCO	**–**	606
Accumulated amortisation at 31 December	**(5)**	(1)
Total intangible assets at 31 December	**93**	33

12. Property, plant and equipment

	Oil properties $'000	Facilities and pipelines $'000	Office equipment & other $'000	Total $'000
Cost				
At 1 January 2014	142,838	36,816	1,646	181,300
Additions	2,606	1	461	3,068
Reimbursement of prior costs	(6,000)	–	–	(6,000)
Sale of CEDCO	(94,590)	(33,871)	(1,210)	(129,671)
At 31 December 2014	**44,854**	**2,946**	**897**	**48,697**
Additions	–	10	102	112
Change in decommissioning and environmental provision	(293)	–	–	(293)
Reclassification of intangible assets	–	–	(50)	(50)
At 31 December 2015	**44,561**	**2,956**	**949**	**48,466**
Depreciation:				
At 1 January 2014	(49,490)	(20,671)	(1,050)	(71,211)
Sale of CEDCO	40,641	20,204	665	61,510
Provided during the year (continuing operations)	(148)	(17)	(26)	(191)
Provided during the year (discontinued operations)	(3,951)	(1,125)	(303)	(5,379)
Impairment loss	(10,761)	(287)	(115)	(11,163)
At 31 December 2014	**(23,709)**	**(1,896)**	**(829)**	**(26,434)**
Provided during the year	–	–	(78)	(78)
Reclassification of intangible assets	–	–	4	4
Impairment loss	(20,852)	(1,060)	99	(21,813)
At 31 December 2015	**(44,561)**	**(2,956)**	**(804)**	**(48,321)**
Net book value at 31 December 2015	**–**	**–**	**145**	**145**
Net book value at 31 December 2014	21,145	1,050	68	22,263
Net book value at 1 January 2014	93,348	16,145	596	110,089

12. Property, plant and equipment continued

The Group performed its annual impairment test as at 31 December 2015. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2015, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of the assets of the Company's operating segments. The recoverable amounts of the two CGUs, the Bolivar area and the Bocachico area, were determined based upon value in use calculations using risked cash flow projections. The value in use calculations include estimates about the future financial performance of each CGU. All estimates and assumptions included in the value in use calculations are derived from the reserve report developed by Ralph E. Davis Associates, Inc., an independent petroleum engineering firm, and are based on the PRMS 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. The projected risked discounted cash flows are calculated using the Brent oil pricing as at December 2015 of $38.21 per bbl (2014: $57.33 per bbl), with an escalation of 3% each following year, with historical pricing discounts and historical operating costs. The pre-tax discount rate applied to the cash flow projections is 10 per cent (2014: 10 per cent).

Decreased oil prices of $38.21 per bbl caused the oil reserves within the Bolivar area to be uneconomic at 31 December 2015. The resulting uneconomic nature of the proved and probable reserves within the Bolivar area required the Group to fully impair the $22.2 million of carrying value of its Bolivar area oil assets within its consolidated financial statements at 31 December 2015. This amount was slightly mitigated due to a net gain recognised during the year of $425,595 primarily for the reduction of the decommissioning and environmental liabilities for the Bocachico area which reduced the overall impairment loss to $21.8 million for the year ended 31 December 2015.

As at 31 December 2014, the Group fully impaired the $11.2 million of carrying value of its Bocachico area oil assets within its consolidated financial statements. Bocachico's proved and probable reserves continued to be uneconomic at the lower oil prices as at 31 December 2015. Under current accounting standards, the Group may reverse such impairment in the future if there is an indication that the previously recognised impairment loss no longer exists or has decreased.

As at 31 December 2015, there are no amounts included in the cost of property, plant and equipment in respect of capitalised financing costs (2014: $nil). The amount of the financing costs capitalised during the year was $nil (2014: $nil). There are no amounts included in PP&E relating to capitalised finance leases (2014: $nil) as at 31 December 2015.

Expenditures in 2015 on 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.

13. 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
Lagosur Petroleum Colombia, Inc.	Panama	Ordinary	100%
Cinco Ranch Petroleum Colombia, Inc.	Panama	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Global Energy Management Resources – Colombia, Inc.	Panama	Ordinary	100%
Global Energy Management Resources Inc.	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above:

Lagosur Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Cinco Ranch Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%
Global Energy Management Resources – Colombia Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%

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

14. Inventories

	2015 $'000	2014 $'000
Oil stocks	**3**	27
Materials and supplies	**243**	263
Total inventories	**246**	290

The amount of inventory which has been recognised as an expense within cost of sales during the year is $106,957 (2014: $146,797). The inventories are carried at cost related to materials and oil stocks are carried at market value.

15. Note receivable

	2015 $'000	2014 $'000
Note receivable	**8,000**	–
Accrued interest receivable	**40**	–
Total note receivable and accrued interest receivable as at 31 December	**8,040**	–
Cash received for interest income	**240**	–
Cash received for commission	**160**	–

On 15 September 2015, the Group and HKN, Inc. ("HKN") (collectively as "Co-Lenders") entered into a secured, short-term financing note agreement ("Note Receivable") with Everest Hill Energy Group Ltd. ("Everest") for the principal amount of $10 million. Everest is an affiliated company of the Quasha family trusts which also have an interest in Lyford Investments, Inc., an existing shareholder of the Group. HKN Inc, ("HKN"), the Group's principal shareholder, Lyford Investments, Inc. and its parties acting in concert with it are interested in 22,553,406 shares of the Group, representing 62.45 per cent of the issued share capital of the Company. By virtue of these holdings, entry into this Note Receivable constituted a related party transaction.

Under the Note Receivable, the Group participated as a Co-Lender by loaning $8.0 million and HKN participated by loaning $2.0 million of the principal amount to Everest. The Note Receivable is secured by all of Everest's and its subsidiaries' holdings of Global and HKN. Global serves as the collateral agent for the Co-Lenders. The Note Receivable is subject to an interest charge of 12 per cent per annum, payable monthly in arrears, with the principal amount being repayable in full on 15 March 2016. Everest paid to GED a 2 per cent transaction fee of $160,000 in September 2015 upon the closing of the Note Receivable. See note 26 for information on the post reporting date amendment to the Note Receivable.

16. Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**14**	62
Other receivables	**330**	405
Total trade and other receivables	**344**	467

Included are trade receivables from customers totalling $14,217 (2014: $62,000) 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 customer. All customer balances as at 31 December 2015 were due within 15 to 30 days (2014: 30 to 60 days). 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. 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:

	2015 $'000	2014 $'000
US Dollar	**37**	83
Colombian Peso	**1**	2
Peruvian Nuevo Sol	**306**	382
Total	**344**	467

17. Prepayments and other assets

	2015 $'000	2014 $'000
Prepayments	**113**	189
Prepaid taxes[1]	**870**	825
Total prepayments and other assets	**983**	1,014

1 Prepaid taxes represent an account receivable from the Peruvian tax authorities that could be offset against taxes payable in 2016.

18. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash and cash equivalents	**25,608**	41,153

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 22.

19. Long-term provisions

	2015 $'000	2014 $'000
Decommissioning liability at start of year[1]	**2,092**	5,576
Sale of CEDCO	**–**	(3,674)
Unwinding of discount	**193**	190
Decrease in provision	**(280)**	–
Decommissioning liability at end of year	**2,005**	2,092
Environmental provision at start of year[2]	**35**	261
Sale of CEDCO	**–**	(228)
Reclassification to trade and other payables - current	**(35)**	2
Environmental provision at end of year	**–**	35
Long-term benefits[3]	**–**	3
Total long-term provision	**2,005**	2,130
Maturity analysis of provisions:		
Due in more than one year	**2,005**	2,130

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 2024. 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. Based upon the overall decline in the oil industry in Colombia, cost overall estimates for the decommissioning of the Group's wells in Colombia declined during 2015. 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 24).

20. Trade and other payables

	2015 $'000	2014 $'000
Trade payables[1]	**407**	675
Accrued liabilities	**709**	3,107
Total current liabilities	**1,116**	3,782

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 carrying amounts of trade and other payables approximate to fair value at 31 December 2015 and 2014.

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21. Corporate and equity tax liability

	2015 $'000	2014 $'000
Current tax		
Withholding tax[1]	**15**	581
VAT (receivable) payable[1]	**(83)**	(70)
Income tax[1]	**147**	621
Other tax[1]	**–**	1
Total corporate and equity	**79**	1,133

1 Corresponds to taxes payables in Colombia.

22. Financial instruments
Financial instruments – Risk Management

Financial assets and liabilities as per Statement of Financial Position:	2015 $'000	2014 $'000
Financial assets – Loans and receivables		
Trade and other receivables	**344**	467
Note receivable	**8,040**	–
Cash and cash equivalents	**25,608**	41,153
Total	**33,992**	41,620
Financial liabilities – Held at amortised cost		
Trade and other payables	**(1,116)**	(3,782)
Total	**(1,116)**	(3,782)

The Group is exposed through its continuing 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 2015, the Group placed the Note Receivable with Everest; 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
- Note receivable
- Cash and cash equivalents
- Trade and other payables

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's 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.

22. Financial instruments continued

Price risk

The Group is exposed to the risk of fluctuations in prevailing market prices of crude oil, specifically the Brent and other light oil benchmark prices which were the source reference price in Global's crude sales contracts during 2015.

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 2015, a 50 per cent increase in the average sales price obtained during the year would have increased revenues from continuing operations and equity by $182,500 (2014: $344,000) and a 50 per cent decrease in the average sales price would have reduced revenues from continuing operations and equity by $121,667 (2014: $230,000).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty 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 mainly held in one bank which is 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.

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.

As of 31 December 2015, the Group does not consider itself exposed to cash flow interest rate risk related to debt instruments, which can carry fixed and floating interest rates within the terms of the agreements. As at 31 December 2015, the Group has no outstanding debt obligations. 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 2015 was as follows:

US Dollar equivalent of:	US Dollar $'000	Colombian Peso $'000	Total $'000
Cash at bank at floating interest rate	–	150	150
Cash at bank on which no interest is received	25,458	–	25,458
Net cash	**25,458**	**150**	**25,608**

The profile at 31 December 2014 for comparison purposes was as follows:

US Dollar equivalent of:	US Dollar $'000	Colombian Peso $'000	Total $'000
Cash at bank at floating interest rate	–	305	305
Cash at bank on which no interest is received	40,848	–	40,848
Net cash	**40,848**	**305**	**41,153**

During 2015, the cash at bank at floating rates consisted of demand deposits and money market investments subject to floating rates which averaged 0.1 per cent during the year.

22. Financial instruments continued

Interest rate sensitivity analysis

At 31 December 2015, the Group held cash of $150,000 (2014: $305,000) in financial assets with floating interest rates (2014: averaged 0.3 per cent return on investment) and no outstanding debt with floating interest rates (2014: nil).

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
At 31 December 2015	**3,149**	**3.352**	**0.674**
At 31 December 2014	2,392	2.976	0.642

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 2015	**(93)**	**118**	**(68)**	**(43)**

The year-on-year fluctuation in Colombian Peso denominated balances is attributed primarily to accrued liabilities payable (see note 20).

Foreign currency sensitivity analysis

Given that the Group does not hold significant monetary assets or liabilities in foreign currencies as of 31 December 2015, the Group is not materially exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the investment activities. 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. As of 31 December 2015, the Group has no outstanding debt obligations or mandatory drilling obligations. The Group also seeks to reduce future 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.

22. Financial instruments continued

The following tables illustrate the contractual maturity analysis of the Group's financial assets and liabilities, including the assets and 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 assets is as follows:

	2015 $'000	2014 $'000
Analysis of current assets include		
Up to 3 months	**34,024**	40,970
3 to 6 months	**1,197**	1,954
Total current assets	**35,221**	42,924

Maturity analysis of the financial liabilities is as follows:

	2015 $'000	2014 $'000
Analysis of current liabilities include		
Up to 3 months	**1,011**	4,915
Over 6 months	**184**	–
Total current liabilities	**1,195**	4,915

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 hiring 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 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.

23. Share capital

	2015 Number of shares	2015 $'000	2014 Number of shares	2014 $'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**36,112,187**	**608**	36,112,187	608

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.

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.
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.

24. 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 2015 and 31 December 2014 the following share options were outstanding in respect of the ordinary shares:

Year ended 31 December 2015

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
2002	2,415,196	–	–	2,415,196	2,415,196	31.01.2002	31.01.2019	50.0p
2004	450,000	–	–	450,000	450,000	03.12.2004	05.12.2019	151.1p
2005	40,000	–	–	40,000	40,000	08.12.2005	08.12.2018	265.1p
2008	300,000	–	–	300,000	300,000	11.02.2008	11.02.2018	100.0p
2008	500,000	–	–	500,000	500,000	11.12.2008	11.12.2018	70.0p
2011	125,000	–	–	125,000	125,000	06.10.2011	06.10.2021	83.0p
2012	50,000	–	–	50,000	50,000	13.07.2012	13.07.2022	100.0p
2013	70,000	–	(6,666)	63,334	–	01.10.2013	01.10.2023	100.0p
2014	50,000	–	–	50,000	–	01.04.2014	01.04.2024	100.0p
Total	**4,000,196**	**-**	**(6,666)**	**3,993,530**	**3,880,196**			

Year ended 31 December 2014

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
2002	2,415,196	–	–	2,415,196	2,415,196	31.01.2002	31.01.2016	50.0p
2004	450,000	–	–	450,000	450,000	03.12.2004	05.12.2016	151.1p
2005	40,000	–	–	40,000	40,000	08.12.2005	08.12.2015	265.1p
2008	300,000	–	–	300,000	300,000	11.02.2008	11.02.2018	100.0p
2008	500,000	–	–	500,000	500,000	11.12.2008	11.12.2018	70.0p
2011	125,000	–	–	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
2013	70,000	–	–	70,000	–	01.10.2013	01.10.2023	100.0p
2014	–	50,000	–	50,000	–	01.04.2014	01.04.2024	100.0p
Total	**4,025,196**	**50,000**	**(75,000)**	**4,000,196**	**3,830,196**			

24. Share-based payments continued

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 19).

Year ended 31 December 2015

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	2,000,000	–	(2,000,000)	–	–	30.06.2010	30.06.2015	150.0p
2010	90,000	–	(90,000)	–	–	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
Total	**2,715,000**	**–**	**(2,090,000)**	**–**	**625,000**			

Year ended 31 December 2014

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	2,000,000	–	–	–	2,000,000	30.06.2010	30.06.2015	150.0p
2010	90,000	–	–	–	90,000	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
Total	**2,715,000**	**–**	**–**	**–**	**2,715,000**			

The Group's mid-market closing share price at 31 December 2015 was 24.0p (31 December 2014: 50.0p). The highest and lowest mid-market closing share prices during the year were 50.5p (2014: 96.0p) and 22.0p (2014: 39.0p) respectively.

The weighted average exercise price at the beginning of 2015 was 73.43p (2014: 73.10p) and end of period was 72.93p (2014: 73.43p).

The total intrinsic value at the 31 December 2015 of liabilities for which the counterparty's right to cash or other assets had vested was $nil (2014: $3,202).

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.

24. Share-based payments continued

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%	5 Dec 2019	0%	4.65%	3.7 years
8 Dec 2005	265.1p	265.1p	33.02%	8 Dec 2018	0%	4.23%	3.3 years
11 Feb 2008	82.4p	100.0p	53.14%	11 Feb 2018	0%	4.49%	4.2 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
1 Oct 2013	98.5p	100.0p	49.57%	1 Oct 2023	0%	1.53%	3.0 years
1 Apr 2014	72.5p	100.0p	49.57%	1 Apr 2024	0%	1.99%	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
1 Jan 2011	110.9p	150.0p	52.83%	1 Jan 2016	0%	2.03%	3.0 years
15 Jan 2011	104.5p	150.0p	52.93%	15 Jan 2016	0%	2.27%	3.0 years
15 Mar 2011	92.8p	150.0p	51.18%	15 Mar 2016	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 these 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
11 Feb 2008	47p
11 Dec 2008	32p
6 Oct 2011	23p
13 Jul 2012	19p
5 Dec 2012	41p
1 Oct 2013	34p
1 Apr 2014	18p

Cash-settled – Long-term service benefits

Grant date	Fair value
1 Jan 2011	Nil
15 Jan 2011	Nil
15 Mar 2011	Nil

24. Share-based payments continued

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 $17,000 for the period (2014: $51,000) and for cash-settled long-term service benefits was $(3,000) for the period (2014: $(464,000)).

During the period, there were no ordinary shares issued in lieu of certain portions of salaries and Director fees (2014: $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 2015		As at 1 January 2015	
	Ordinary shares	**Options**	Ordinary shares	Options
Mikel Faulkner	**370,000**	**1,890,000**	370,000	1,890,000
Alan Henderson	**14,527**	**150,000**	14,527	150,000
David Quint	**135,000**	**150,000**	135,000	150,000
Zac Phillips	**4,872**	**50,000**	4,872	50,000
Total	**524,399**	**2,240,000**	524,399	2,240,000

All the holdings are beneficially held.

Details of the Director's holdings of cash-settled – long-term service benefits, as previously issued, are as follows:

	As at 31 December 2015		As at 31 December 2014	
	Units	**Notional Price (£)**	Units	Notional Price (£)
Mikel Faulkner	**–**	**–**	600,000	1.50
Alan Henderson	**–**	**–**	100,000	1.50
David Quint	**–**	**–**	100,000	1.50
Zac Phillips	**–**	**–**	–	–
Total	**–**	**–**	800,000	–

25. Related party disclosures

HKN and its parties in concert are major shareholders of the Group. During 2015, the Group and HKN (collectively as "Co-Lenders") entered into a Note Receivable with Everest for the principal amount of $10 million. Under the Note Receivable, the Group participated as a Co-Lender by loaning $8.0 million and HKN participated by loaning $2.0 million of the principal amount to Everest. Please see note 15 for information on the Note Receivable. Also during 2015, the Group entered into a Shared Services Agreement with HKN to allow employees to provide or cause to be provided certain contract services, if and when as needed. The Group paid $48,975 to HKN for contract services for due diligence purposes during the year ended 31 December 2015.

During 2014, the Group held an Amortising Note Payable with HKN. The Amortising Note Payable was fully repaid in December 2014. Also, in 2014, the Group entered into two separate farm-out agreements with Everest with respect to the Bolivar and Bocachico Association Contract areas. These farm-out agreements were terminated during December 2014.

26. Post reporting date event

On 29 February 2016, the Group and HKN (collectively as "Co-Lenders") amended the Note Receivable (the "Amendment") with Everest. Under the Amendment, the Group loaned an additional $2.0 million principal amount to Everest and extended the maturity date six months to 15 September 2016. In addition, the Group was granted right of first refusal to purchase certain offshore oil service vessels owned by Everest and its affiliates. The Note Receivable continues to be subject to an interest charge of 12 per cent per annum, payable monthly in arrears. Everest paid to GED a 2 per cent transaction fee of $40,000 upon the closing of the Amendment.

Company Accounts

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Notes to the Financial Information

Statement of Financial Position
As at 31 December 2015

	Notes	IFRS 31 December 2015 $'000	IFRS 31 December 2014 $'000	IFRS 1 January 2014 $'000
Assets				
Non-current assets				
Property, plant and equipment		**–**	–	1
Investment in subsidiaries	5	**–**	26,338	14,572
Total non-current assets		**–**	26,338	14,573
Current assets				
Note receivable	6	**8,040**	–	–
Trade and other receivables	7	**9**	21	41
Prepayments and other assets	8	**20**	–	17
Cash and cash equivalents	9	**25,455**	40,821	3,255
Total current assets		**33,524**	40,842	3,313
Total assets		**33,524**	67,180	17,886
Liabilities				
Non-current liabilities				
Long-term provisions		**–**	(3)	(466)
Long-term loans payable		**–**	–	(5,966)
Total non-current liabilities		**–**	(3)	(6,432)
Current liabilities				
Trade and other payables	10	**(174)**	(5,191)	(2,879)
Other liabilities (branches)		**–**	(19,591)	(12,702)
Corporate and equity tax liability		**–**	(644)	–
Short-term loans payable		**–**	–	(5,865)
Total current liabilities		**(174)**	(25,426)	(21,446)
Total liabilities		**(174)**	(25,429)	(27,878)
Net assets		**33,350**	41,751	(9,992)
Capital and reserves attributable to equity holders of the parent				
Share capital	11	**608**	608	608
Share premium account		**27,139**	27,139	27,139
Capital reserve		**21,420**	21,420	21,420
Retained deficit		**(15,817)**	(7,416)	(59,159)
Total equity		**33,350**	41,751	(9,992)

These financial statements were approved by the Board of Directors and authorised for issue on 1 March 2016 and were signed on its behalf by:

Mikel D. Faulkner

Mikel Faulkner
Chairman
1 March 2016

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

The notes on pages 49 to 57 form an integral part of these financial statements.

Statement of Changes in Equity
For the 12 months ended 31 December 2015

	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained losses $'000	Total equity $'000
At 1 January 2014	608	27,139	21,420	(59,159)	(9,992)
Total comprehensive income for the year attributable to equity holders of the parent	–	–	–	51,692	51,692
Share-based payment – options equity settled	–	–	–	51	51
At 1 January 2015	**608**	**27,139**	**21,420**	**(7,416)**	**41,751**
Total comprehensive loss for the year attributable to equity owners of the parent	–	–	–	(8,418)	(8,418)
Share-based payment – options equity settled	–	–	–	17	17
At 31 December 2015	**608**	**27,139**	**21,420**	**(15,817)**	**33,350**

The notes on pages 49 to 57 form an integral part of these financial statements.

Statement of Cash Flows
For the 12 months ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Cash (used in)/generated from operations	4	**(5,605)**	3,014
Tax paid (continuing and discontinued operations)		**–**	(5,300)
Net cash used in operating activities		**(5,605)**	(2,286)
Cash flows from investing activities			
Interest income from note receivable	6	**240**	–
Commission income from note receivable	6	**160**	–
Placement of note receivable	6	**(8,000)**	–
Gross proceeds from sale of subsidiary		**–**	50,000
Purchase price adjustments for sale of subsidiary		**(1,161)**	(945)
Cost paid for sale of subsidiary		**(1,000)**	–
Net cash (used in)/provided by investing activities		**(9,761)**	49,055
Cash flows from financing activities			
Lagosur partner cash calls		**–**	627
Bolivar farm-out proceeds		**–**	2,973
Bocachico farm-out proceeds		**–**	750
Fees paid for Bolivar and Bocachico farm-outs		**–**	(122)
Debt principal repayments		**–**	(12,000)
Interest paid		**–**	(1,431)
Net cash used in financing activities		**–**	(9,203)
(Decrease)/increase in cash and cash equivalents for the year		**(15,366)**	37,566
Cash and cash equivalents at beginning of year		**40,821**	3,255
Cash and cash equivalents at the end of year		**25,455**	40,821

The notes on pages 49 to 57 form an integral part of these financial statements.

Notes to the Financial Information
For the 12 months ended 31 December 2015

1. Accounting policies

Basis of preparation

These financial statements are the first published financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements of the Company were previously prepared in accordance with UK GAAP.

Some of the IFRS recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from UK GAAP. Consequently, the Directors have amended certain accounting policies to comply with IFRS. The Directors have also taken advantage of certain exemptions from the requirements of IFRS permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The exemptions taken are set out in note 2.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Directors have taken advantage of exemptions to retrospective application of IFRS permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

Descriptions of the effect of the transition to IFRS on the equity and total comprehensive income previously reported under UK GAAP are given in note 2.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2015.

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 Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2015 (2014: $nil).

Changes in accounting policies

Effective 1 January 2015, the Company has adopted IFRS in the preparation of its financial statements.

Financial instruments

Financial assets

The Company 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 Company has not classified any of its financial assets as held to maturity or available for sale. The Company 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 Company 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.

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.

1. Accounting policies continued

Share-based payments

In accordance with IFRS 2 'Share-based payments', the Company 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 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'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 Statement of Comprehensive Income.

Post retirement benefits

The Company 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 the Company in a currency other than the currency of the primary economic environment in which it operates (its "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 Statement of Comprehensive Income.

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.

At the date of transition to IFRS on 1 January 2014, the Company used an exemption available under IFRS 1, 'First time adoption of International Financial Reporting Standards', which resulted in the cumulative translation differences for all foreign operations being deemed to be zero at the date on transition to IFRS. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

2. First-time adoption of IFRS

Effective 1 January 2015, the Company has adopted IFRS in the preparation of its financial statements. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS) in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are described in this section and are further explained in the notes that accompany the financial statements.

First time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application of IFRS. The Company has applied the mandatory exemptions as set out below.

Mandatory exemptions adopted by the Company:

i) Financial assets and liabilities that had been de-recognised before the date of transition to IFRS under previous GAAP have not been recognised under IFRS.
ii) The Company has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.
iii) The entity is not early adopting IFRS 9. However the company's financial assets and liabilities have been classified in accordance with IAS 39 based on the nature of the assets.

Statement of cash flows

The transition to IFRS had no effect on the cash flows reported in accordance with UK GAAP. The Company was not required to present a cash flow statement under UK GAAP; therefore there are no transitional presentation differences to disclose.

2. First-time adoption of IFRS continued

Presentation differences

Certain presentation differences between previous UK GAAP and IFRS have no impact on reported profit or total equity. Some assets and liabilities have been reclassified into another line item under IFRS at the date of transition. Some line items are described differently (renamed) under IFRS compared to previous UK GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows (with previous UK GAAP descriptions in brackets):

- Retained earnings (Profit & Loss Account)
- Trade and other receivables (Debtors)
- Cash and cash equivalents (Cash at Bank)
- Trade and other payables (Creditors)

3. Staff costs and audit fee

The disclosures relating to the Directors' remuneration for the current and prior year, as well as shareholdings and share options interests are included in note 5 in the Group Financial Statements.

4. Reconciliation of loss before taxation to net cash flow from operations

	Note	**2015 $'000**	2014 $'000
Loss before tax		**(9,465)**	(5,664)
Adjustments for:			
Gain on extinguishment of liability	14	**(19,866)**	–
Impairment loss on investments	5	**29,002**	4,761
Share based expense/(benefit)		**14**	(413)
Finance income		**(440)**	(1,269)
Finance cost		**–**	1,601
Operating cash flow before movements in working capital		**(755)**	(984)
Increase in trade and other receivables		**(12)**	(20)
(Decrease)/increase in trade and other payables		**(5,482)**	65
Cash used in continuing operations		**(6,249)**	(939)
Discontinued operations			
Profit before tax		**–**	–
Adjustments for:			
Gain on sale of subsidiary	13	**1,047**	1,818
Operating cash flow before movements in working capital		**1,047**	1,818
(Decrease)/increase in trade and other payables		**(403)**	2,135
Cash (used in)/generated from discontinued operations		**644**	3,953
Cash (used in)/generated from operations		**(5,605)**	3,014

5. Investments in subsidiaries

2015

	At 1 January 2015 $000	Increase $000	Impairment $000	Total $000
Lagosur Petroleum Colombia, Inc.	**9,488**	–	(9,488)	–
Global Energy Management Resources, Inc.	**16,850**	2,664	(19,514)	–
Total	**26,338**	2,664	(29,002)	–

2014

	At 1 January 2014 $000	Increase (decrease) $000	Impairment $000	Total $000
Lagosur Petroleum Colombia, Inc.	–	9,488	–	9,488
Cinco Ranch Petroleum Colombia, Inc.	–	4,761	(4,761)	–
Colombia Energy Development Co (disposal of company)	1,894	(1,894)	–	–
Global Energy Management Resources, Inc.	12,678	4,172	–	16,850
Total	14,572	16,527	(4,761)	26,338

Included within investments in subsidiaries are inter-Group loans, which funded the subsidiaries' operations. The increase to investments in subsidiaries during 2014 was related to the share capital investments in the Colombian subsidiaries. In 2014, the Company fully impaired its investment in the Colombian subsidiary holding the Bocachico Contract (see note 12 in the Group financial statements). In 2015, the Company fully impaired its investments in the Colombian subsidiary holding the Bolivar Contract and the US subsidiary (Global Energy Management Resources Inc.).

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 capital held	Proportion held by the Company
Lagosur Petroleum Colombia, Inc.	Panama	Ordinary	100%
Cinco Ranch Petroleum Colombia, Inc.	Panama	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Global Energy Management Resources – Colombia, Inc.	Panama	Ordinary	100%
Global Energy Management Resources Inc.	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above:

Lagosur Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Cinco Ranch Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%
Global Energy Management Resources – Colombia Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%

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

6. Note receivable

See note 15 in the Group Financial Statements.

7. Trade and other receivables

	2015 $'000	2014 $'000
Other receivables	**9**	21

8. Prepayments and other assets

	2015 $'000	2014 $'000
Prepayments	**20**	–

Notes to the Financial Information continued
For the 12 months ended 31 December 2015

9. Cash and cash equivalents

	2015 $'000	2014 $'000
Cash and cash equivalents	**25,455**	40,821

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

10. Trade and other payables

	2015 $'000	2014 $'000
Trade payables	**73**	126
Accrued liabilities	**101**	5,065
	174	5,191

11. Share capital
See note 23 in the Group Financial Statements.

12. Share-based payments
See note 24 in the Group Financial Statements.

13. 2014 discontinued operations

	2015 $'000	2014 $'000
Tax benefit/(expense)	**661**	(5,300)
Income/(loss) from continuing operations, net of tax	**661**	(5,300)
Income/(loss) from discontinued operations net of tax	**386**	60,308
Total comprehensive loss for the year attributable to the equity owners of the company	**1,047**	55,008

14. Related party disclosures
Everest Hill Group Energy Ltd. ("Everest") is an affiliated company of the Quasha family trusts which also have an interest in Lyford Investments, Inc., an existing shareholder of the Group. HKN Inc, ("HKN"), the Group's principal shareholder, Lyford Investments, Inc. and its parties acting in concert with it are interested in 22,553,406 shares of the Group, representing 62.45 per cent of the issued share capital of the Company. By virtue of these holdings, the following items constitute related party transactions:

a) Investing and financing activities:

	2015 $'000	2014 $'000
Placement of note receivable[1]	**8,000**	–
Interest income, fees and cost reimbursement[1]	**451**	–
Payment of note payable[2]	**–**	(12,000)
Interest expense[2]	**–**	(1,432)
Farm-out proceeds and cash calls[3]	**–**	(4,350)
Investment in subsidiaries[4]	**–**	26,338
Other liabilities in subsidiaries[4]	**–**	(19,591)
Income received from management charges	**–**	1,269
	8,451	(9,766)

14. Related party disclosures continued

b) Purchase of services:

	2015 $'000	2014 $'000
Service fees[5]	**49**	–

c) Year-end balances arising from related party transactions:

	2015 $'000	2014 $'000	1 January 2014 $'000
Note receivable and accrued interest[1]	**8,040**	–	–
Short-term and long-term note payable[2]	**–**	–	(12,000)

d) Intercompany (impairments)/gains:

	2015 $'000	2014 $'000
Impairment of investment in subsidiary[6]	**(29,002)**	(4,761)
Gain on extinguishment of liabilities to subsidiaries[7]	**19,866**	–

1 Please see note 15 in the Group Financial Statements for discussion on placement of the note receivable with Everest.
2 During 2014 and 2013, the Company previously had outstanding a note payable with HKN. The note payable was fully repaid during 2014 and was no longer outstanding as at 31 December 2014.
3 In 2014, the Company entered into two separate farm-out agreements with Everest to share costs and risks associated with the development of the Bolivar and Bocachico contract areas in Colombia. These farm-out agreements were terminated in December 2014.
4 Please see note 5 in the Company Accounts.
5 Please see note 15 in the Group Financial Statements for discussion on the shared service agreement with HKN.
6 Includes full impairment of investment in certain subsidiaries due to lack of future cash flows at the subsidiary level.
7 Gain on extinguishment of liabilities to certain subsidiaries due to lack of future cash flows at the Company level.

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)
Alan Henderson (Non-executive Director)
David Quint (Non-executive Director)
Zac Phillips (Non-executive Director)

Executive Management
Anna Williams (Finance Director)
Rodger Ehrlish (Company Secretary)

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Notes