



Global
Energy Development PLC

Identifying and Realising Potential

Global Energy Development PLC
Annual Report and Accounts 2005

Company Overview

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

Company Strategy

Continue building on the prospect-rich portfolio focused on Latin America by securing new contracts, all 100% owned by Global Energy Development PLC.

Continue utilising existing production and lower-risk, near-production assets to generate increasing cash flow to fund the Company's high-potential exploration projects.

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Highlights for the year ended 31 December 2005

Financial highlights

- Turnover up 74% to \$19,045,000 (2004: \$10,974,000)
- Gross profit up 74% to \$9,290,000 (2004: \$5,349,000)
- Profit before tax up 63% to \$5,084,000 (2004: \$3,127,000)
- Finding and development cost of \$6.88 per proved barrel for the year ended 31 December 2005
- Average cash netback per barrel of \$29.15 in 2005
- Capital expenditure in 2005, fully funded from cash flow and cash available, up 114% against 2004 at \$18,603,000
- 2006 capital expenditure anticipated to be up to \$26,000,000, again expected to be fully funded from cash flow from production and cash available

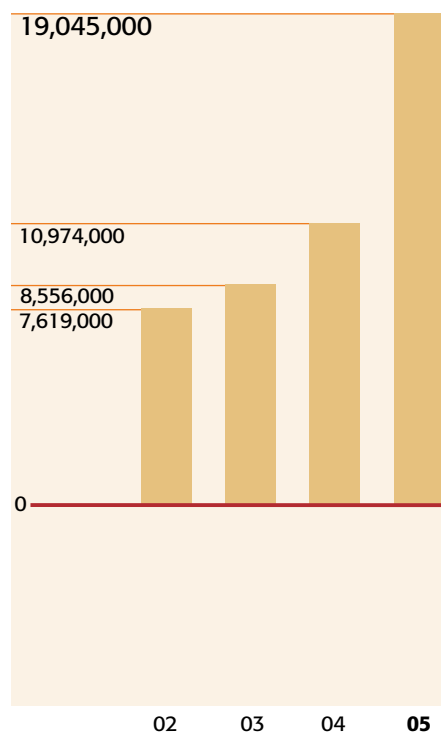
Operational highlights

- Acreage position enlarged by almost 74% in 2005 to approximately 5.16 million acres as at 31 December 2005
- Independently audited proved plus probable reserves enlarged to 17,474,000 BOE* as at 31 December 2005
- Proved plus probable reserve replacement ratio for 2005 of approximately 327%
- Exited 2005 with several new high-potential exploration assets and production from five Colombian contracts
- Two new contracts and a new Technical Evaluation Agreement secured in Colombia during 2005, 100% owned by Global as with all other contracts
- Two new contracts pending in both Colombia and Peru following proposals submitted in late 2005
- 80% of 2006 capital expenditure to be directed at exploration activities

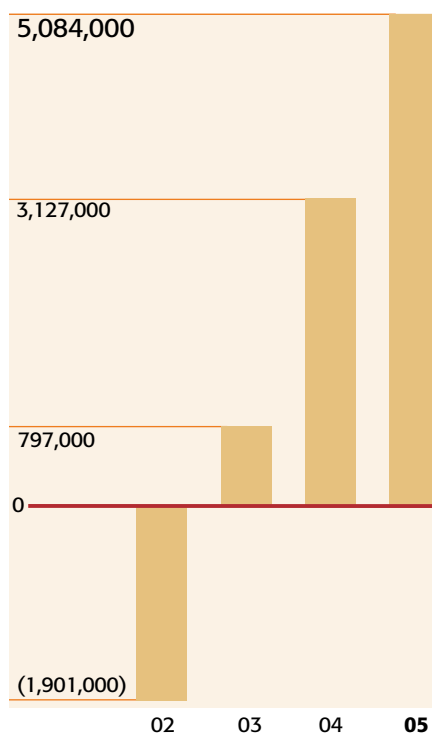
*BOE – Barrels of oil equivalent

Financial history since listing on the AIM Market of the London Stock Exchange in 2002

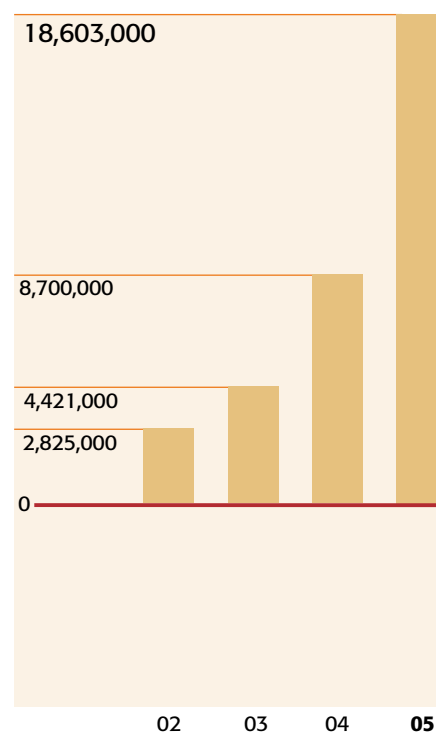
Turnover
(\$)



Profit before tax
(\$)



Capital expenditure
(\$)



Latin America – Portfolio Overview (as at 31 December 2005)

- **Portfolio dedicated in Latin America**
 - 3 Association contracts in Colombia
 - 4 Exploration and Production Concession contracts in Colombia
 - 1 Technical Evaluation Agreement in Colombia
 - 1 Licence contract in Peru
 - 1 concluded Technical Evaluation Agreement in Panama
- **Approximately 5.16 million acres**
- **All 100% owned by Global**

Panama – Garachiné Block Area

Signed: contract pending

Expiry date: –

Acreage: Approximately 1,400,000

Initial Royalty: –

Status: Exploration

Proved plus Probable reserves²: –
(as at 31 December 2005)

Colombia – Bocachico Association contract

Signed: 1994

Expiry date: 07.03.2022

Acreage: Approximately 54,700

Initial Royalty: 20%

Status: Production and development

Proved plus Probable reserves²: 2,670,000 BOE³
(as at 31 December 2005)

Colombia – Bolivar Association contract

Signed: 1996

Expiry date: 12.07.2024

Acreage: Approximately 55,000

Initial Royalty: 20%

Status: Production, development and exploration

Proved plus Probable reserves²: 8,439,000 BOE³
(as at 31 December 2005)

Colombia – Alcaravan Association contract

Signed: 1993

Expiry date: 13.02.2021

Acreage: 24,000

Initial Royalty: 20%

Status: Production and development

Proved reserves²: 1,494,000 BOE³
(as at 31 December 2005)

Peru – Block 95 Area Licence contract

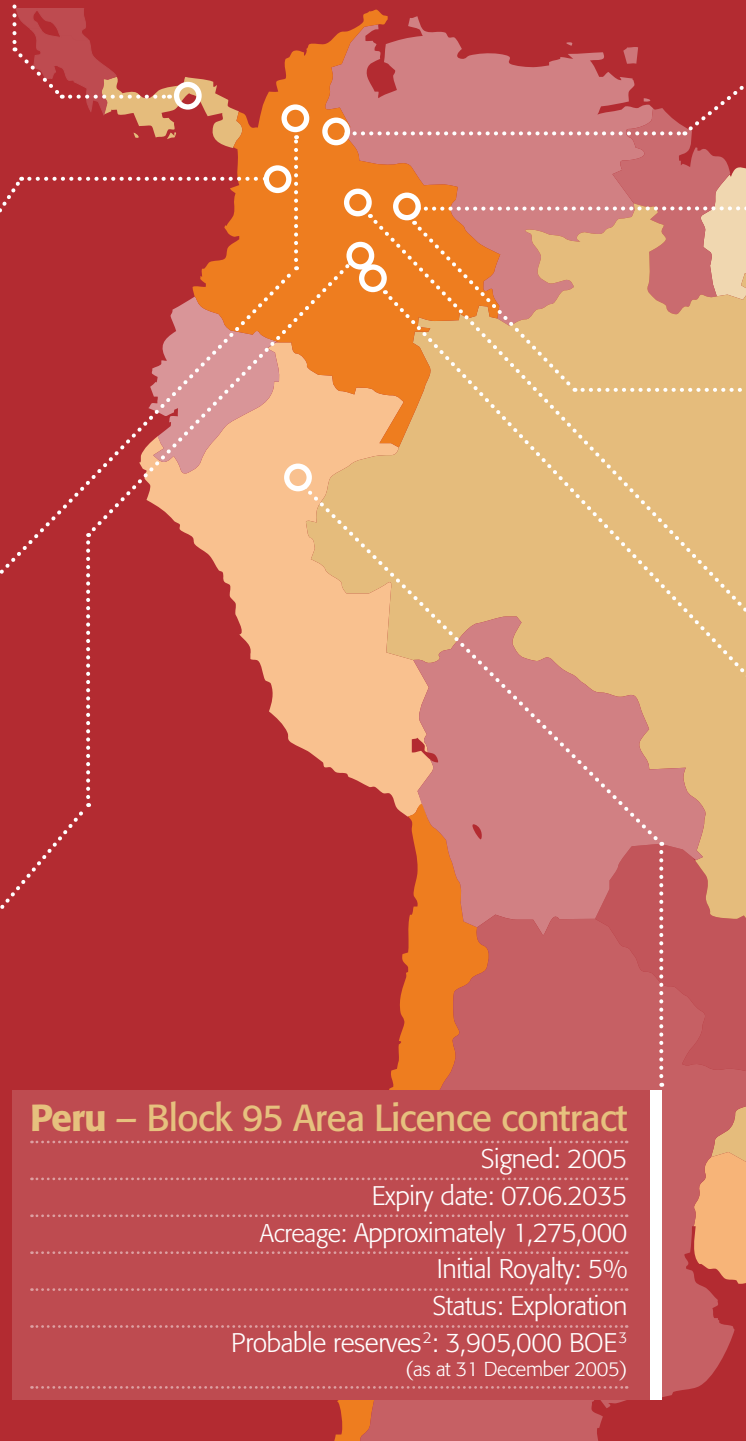
Signed: 2005

Expiry date: 07.06.2035

Acreage: Approximately 1,275,000

Initial Royalty: 5%

Status: Exploration

Probable reserves²: 3,905,000 BOE³
(as at 31 December 2005)

Colombia – Caracoli Concession contract

Signed: 2005

Expiry Date: 20.12.2035

Acreage: Approximately 90,000

Initial Royalty: 10%

Status: Exploration

Proved plus Probable reserves²: –
(as at 31 December 2005)**Key**

■ Exploration

■ Production and development

¹ TEA – Technical Evaluation Agreement² Proved plus Probable Reserves net to Global Energy Development PLC
independently reported by Ryder Scott Company, LP.³ BOE – Barrels of oil equivalent**Colombia – Luna Llena Concession contract**

Signed: 2005

Expiry Date: 30.09.2035

Acreage: Approximately 369,000

Initial Royalty: 8%

Status: Exploration

Proved plus Probable reserves²: 256,000 BOE³
(as at 31 December 2005)**Colombia – Valle Lunar TEA¹**

Signed: 2005

Expiry Date: 27.11.2006

Acreage: 1,731,000

Initial Royalty: –

Status: Exploration

Proved plus Probable reserves²: –
(as at 31 December 2005)**Colombia – Rio Verde Concession contract**

Signed: 2004

Expiry Date: 14.05.2034

Acreage: Approximately 75,000

Initial Royalty: 10.5%

Status: Production, development and exploration

Proved plus Probable reserves²: 520,000 BOE³
(as at 31 December 2005)**Colombia – Los Hatos Concession contract**

Signed: 2004

Expiry Date: 04.06.2034

Acreage: Approximately 85,000

Initial Royalty: 8%

Status: Production and development

Proved reserves²: 190,000 BOE³
(as at 31 December 2005)

Chairman's statement

The year ended 31 December 2005 continued the Company's record of unbroken growth since its listing on the AIM Market of the London Stock Exchange in March 2002. In addition to record financial results enabled through enlarged production, historically high oil prices and a new crude-oil sales contract, the Company has added considerable potential in 2005, unrivalled by any other year in its history, through securing additional exploration acreage and identifying future acreage positions which should considerably transform the Company.

The Company held approximately 5.16 million acres under contract or agreement in Latin America as at 31 December 2005, representing an uplift of almost 74% against the acreage held as at 31 December 2004 and placing the Company as one of the top independent acreage holders in the region. The new acreage secured in 2005, through two new contracts and a Technical Evaluation Agreement in Colombia, represented a deliberate move to add more high-potential exploration assets with compelling historical data to the existing exploration projects and established, lower-risk producing assets which the Company has been aggregating since the early 1990s.

The Company's producing assets continue to provide a solid financial base and increasing internal cash resources with which to grow the Company via workovers, developmental drilling, accelerated exploration activities and the sourcing and securing of new contracts.

The work programme outlined for 2006 should once again boost production, and as a result cash flow in 2006 should be considerably greater than in 2005, allowing a further step-change in capital expenditure in the year and the first significant spend on the Company's exploration projects.

Global's reserve report, as prepared by a pre-eminent independent engineering company, validates the Company's confidence in all its prospects. As at 31 December 2005, Global's portfolio had a proved plus probable reserve life of just under 40 years based on 2005 net production.

The Company's strategy remains the same: to continue building on the prospect-rich portfolio dedicated in Latin America through securing new contracts, all 100% owned by Global, while utilising the existing production and lower-risk,

near production assets to generate increasing cash flow to fully fund the Company's exploration projects which are capable of transforming the Company.

Global continues to be one of very few established, independent companies operating in Latin America, a region that has attracted considerable new interest in 2005 and looks set to be a region of increasing focus. With an extensive and diverse work programme and many high-potential prospects rapidly progressing, 2006 will be the most exciting year yet in the Company's history.



Mikel D. Faulkner
Executive Chairman

21 February 2006



Managing Director's review

Financials

Turnover for the year ended 31 December 2005 was \$19,045,000, an increase of 74% against the prior year (31 December 2004: \$10,974,000), with gross profit up 74% at \$9,290,000 (31 December 2004: \$5,349,000). Profit before tax increased by 63% to \$5,084,000 (31 December 2004: \$3,127,000).

These financial results were achieved on production net to Global of 451,000 barrels of oil during 2005, an increase of 21% against 2004, and influenced by prevailing historically high oil prices in 2005 and the Company's new crude oil sales contract with Petrobras, the state oil company of Brazil, which came into effect 1 May 2005 and offered improved financial terms for Global.

The Company had a finding and development cost of \$6.88 per proved barrel in 2005. During the year, Global averaged a cash netback per barrel of \$29.15 compared with \$23.09 for 2004. These netback figures are derived after deducting all production costs from net wellhead prices.

Reserves

As at 31 December 2005, the Company's independent engineers reported that net proved plus probable reserves totalled 17,474,000 BOE, an increase of 6% against the prior year, with 5,033,000 BOE and 12,440,000 BOE being attributed to proved reserves and probable reserves respectively. Both the proved and probable reserve cases were an

improvement against 2004. Of the exploration contracts held by the Company and listed below, the Bretana field within the Peruvian Block 95 Area Licence contract was again attributed just under 4,000,000 BOE of probable reserves and the Colombian Luna Llena contract was attributed 85,000 BOE of probable reserves for the first time since being signed in November 2005.

The Company's proved plus probable reserves replacement ratio for the year, defined as proved plus probable net reserve additions divided by 2005 net production, was approximately 327%.

Based on Global's 2005 net production, Global's proved reserve life is 11.4 years and proved plus probable reserve life is 39.5 years.

Review of operations

Production contracts

Global currently has production from five contracts, namely: the older Alcaravan, Bolivar and Bocachico Association contracts, all currently subject to a 20% royalty, and the newer Rio Verde and Los Hatos Exploration and Production Concession contracts, subject to a 10.5% and 8% royalty, respectively. The Company successfully commenced production from the Los Hatos contract during October 2005 while all the other contracts had production during 2005.

During the first quarter of 2005, the Company worked-over and recommenced production from the Macarenas 1 and



Canacabare 1 wells within the Rio Verde and Alcaravan contracts, respectively. In August 2005, the Company commenced rig mobilisation to its first exploratory well on the Los Hatos contract with the Los Hatos 1 well being successfully placed onto production in October 2005. Also within October 2005, the Company commenced the Pilot Test Phase of a Cyclic CO₂ Injection Project on the Torcaz field within the Bocachico contract area representing an improved recovery programme that the Company hopes will substantially increase production and reserve recovery rates on the contract area. The Company expects to be able to assess the initial impact of this Project during the first quarter of 2006. In December 2005, the Company commenced rig mobilisation to the exploratory Tilodiran 2 well within the Rio Verde contract and, as at February 2006, Global is proceeding to complete and test more than one potentially oil productive zone following the well being successfully drilled to a final depth of 13,350 feet. There was no drilling or workover activity on the Bolivar contract during 2005 except for the conversion of the Catalina 1



well to gas-injection service. It is anticipated that an improved recovery programme will be initiated on the contract area during 2006. This improved recovery programme will likely follow the proposed acquisition by Global of existing wells on the Bolivar contract area from Ecopetrol, the state-owned Colombian oil company, which would allow the improved recovery programme to be expanded and more effectively managed. Negotiations for the acquisition of these existing wells are near conclusion.

No expenditure is anticipated for the Alcaravan or Los Hatos contracts in 2006 as the Alcaravan contract in particular has been the predominate focus of drilling investment activity over the last three years and now provides a consistent base of production. As referred to above, both the Bolivar and Bocachico contracts are the focus of improved recovery programmes in 2006, and it is anticipated that the royalties on these contracts will be reduced from the current 20% to 8% under Colombian law that provides for royalty reduction incentives when improved recovery programmes such as gas injection are

initiated in existing producing fields. After the work on Tilodiran 2, the Company expects to drill another exploratory well on the Rio Verde contract acreage in 2006 in order to rapidly increase production on this contract. Additional near-term drilling opportunities in 2006 are expected to come with the signing of a new contract in Colombia, currently anticipated during the first half of 2006.

Through its drilling programme and improved recovery initiatives to be undertaken in 2006, Global expects to record an improvement in its net production for 2006 against 2005.

Exploration contracts Colombia

Valle Lunar TEA and Luna Llena contract
In May 2005, Global signed the approximate 2.1 million acre Valle Lunar Technical Evaluation Agreement (TEA) with the National Hydrocarbons Agency of the Republic of Colombia (ANH). In November 2005, it elected to convert 369,000 acres of the TEA area into the Luna Llena Exploration and Production Concession contract, subject only to an initial 8% royalty, while retaining the remainder of the TEA acreage. The Company took the decision to contract the Luna Llena area in order to accelerate its work programme due to the compelling data initial analysis had yielded. During mid 2005, the Company conducted Landsat analysis of the TEA acreage, which yielded a considerable amount of surface data, particularly within the Luna Llena area. The Luna Llena acreage contains

Managing Director's review



the identified El Miedo field that has substantial well-tests and subsurface geologic control that was acquired by two international oil companies in the 1980s from an extensive drilling effort conducted by them. Oil production tests were successful at this time. Global completed engineering and geologic studies on the El Miedo field in 2005 and, during the first half of 2006, will look to acquire new 2D seismic, reprocess existing seismic and then drill two exploratory wells in the second half of 2006. While rig availability will likely constrain all the Company's drilling timetables, light rigs appear to be currently available for the two shallow exploratory Luna Llena wells.

Caracoli contract

In December 2005, Global signed the Caracoli Exploration and Production Concession contract with ANH. The contract, subject only to an initial 10% royalty, is located in the Catatumbo basin, a sub-basin of the prolific Maracaibo basin that extends in a south-westerly direction from Venezuela into Colombia. This contract is considered by the management to be one of the most significant it has



ever signed, based upon the average field size in this area of Colombia and nearby Venezuela and following extensive studies and preliminary geologic analysis completed by Global and its technical staff prior to signing the contract. Several mapped structures in the contract area have the same geologic history as prominent adjacent oil fields. In the second half of 2006, the Company will proceed with acquiring new 2D seismic, with the location already identified, and reprocess existing seismic. The first exploratory well will then be drilled in the second half of 2007, with this dependent upon environmental permit timing and heavy-rig availability.

Peru

Block 95 Area Licence contract

In December 2004, Global received approval for the Block 95 Area Licence contract in the Marañon Basin of north-eastern Peru and, during April 2005, the contract was signed with Perupetro S.A., the national oil company of Peru. This contract is subject only to an initial 5% royalty. The Company proceeded with acquiring micro-magnetic data and

updating geologic maps in 2005 and, during late 2006, intends to acquire new 2D or 3D seismic within the identified Bretana field located on Block 95. Global will then likely drill its first exploratory well in the Bretana field in late 2007, again dependent upon environmental permit timing and rig availability. The Bretana field was identified in the early 1970s, and in 1974 an international oil company drilled the Bretana 1 well that tested 18-degree API gravity oil at rates of approximately 800 bopd*. The Company and its independent reserve engineers have extensively evaluated the acreage and the management believe the contract to have significant exploration potential.

Panama

Garachine Block Area

The Garachine Block Area covering 1.4 million acres in and offshore Panama and less than 100 miles from the Panama Canal continues to be a pending contract following the concluded TEA. The delay in the signing of this contract has been due to resolving several contract issues while negotiating the contract with the Ministry of Commerce and Industry for the Republic of Panama (the Ministry). A final contract draft will shortly be submitted to the Ministry by the Company, and Global currently expects to sign the contract by the summer of 2006.

The Garachine Block Area represents a Pinnacle Reef reservoir play with a number of oil seeps located within the contract boundaries that are producing various quantities and qualities of crude

*bopd – barrels of oil per day

oil. The area was first identified in the 1920s when several shallow wells were drilled onshore by an international oil company encountering good oil shows in the Mid Miocene rock section. More recent offshore exploration in the eastern Gulf substantiated Miocene source potential and outlined the regional basin structure with a reconnaissance grid of seismic data. Once the Garachine Block Area contract is fully approved, Global will immediately commence exploratory geologic studies and anticipates the need to acquire 3D seismic over some or all of its prospects. Timing for seismic acquisition is uncertain due to the currently high utilisation rate of oil service equipment. Drilling timing is also highly dependent on jack-up rig availability.

Capital expenditure

Capital expenditure in 2005, fully funded as expected from cash flow from the enlarged production and cash available, totalled \$18,603,000, in line with previous expectations, and was a 114% increase on 2004, which totalled \$8,700,000.

2006 should see another material uplift in capital expenditure to up to \$26 million, again using the Company's internally generated cash flow and enabled through the anticipated continued enlargement of production coupled with expected historically high oil prices. As only approximately \$9 million is anticipated to be contractually required, this leaves up to \$17 million to be utilised at the Company's discretion. Therefore Global can retain a high degree of flexibility and has complete

confidence that it will fully comply with all the terms of its contracts.

Highlighting the breadth of exploration projects now within the portfolio, roughly 80% of the 2006 capital expenditure budget is anticipated to be directed towards exploration activities with 2006, heralding the Company's first significant exploration drilling since admission to AIM.

Additional contracts

In Colombia, the Company is awaiting feedback and approval on two new contract proposals it submitted in late 2005, one of these having been referred to above, and the Company would hope that at least one of these would be signed within the first half of 2006.

In Peru, the Company has also submitted proposals to Perupetro S.A. for two new contracts and is preparing to submit a third. In anticipation of securing at least one of these by late summer of 2006, the Company established a subsidiary office in Lima in December 2005 with one full-time professional. This office also allows the more effective management of the existing Block 95 Area Licence contract.

Strategy and outlook

The management and its technical staff continually evaluate prospective acreage in Latin America for new contracts, particularly in Colombia and Peru, utilising their long-standing knowledge of the region. Areas are extensively studied and preliminary geologic analysis completed prior to securing contracts in order to

provide a high degree of confidence going forward. Competition has intensified in Colombia and Peru, especially over the past year as investment has been attracted by the world-leading contract terms, contract sanctity and the very under-explored large oil and gas reserve potential. Global benefits from its long associations in the region and unblemished extensive operating history in its countries of choice. These qualities, along with the extensive prospects already secured, validated by an independent reserve engineering company and all 100% owned by Global, should enable the Company to continue to prosper and grow.

2006 looks to be a very active and transitional year for Global.



Stephen C. Voss
Managing Director

21 February 2006

Supplementary oil and gas information (unaudited)

Oil and gas reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs. The proved reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable reserves included herein conform to definitions of probable reserves approved by the SPE/WPC using the deterministic methodology.

The following tables show estimates of the Group's net proved and probable reserves of crude oil and natural gas at 1 January and 31 December 2005.

(Source: Ryder Scott Petroleum Consultants)

Estimated net proved and probable reserves of crude oil

	Proved Latin America barrels (000s)	Probable Latin America barrels (000s)	Total all barrels (000s)
2005			
Subsidiary undertakings			
At 1 January			
Developed	1,582	468	2,050
Undeveloped	2,617	10,552	13,169
	4,199	11,020	15,219
Changes in year attributable to			
Revision of previous estimates	1,285	(195)	1,090
Production	(451)	–	(451)
At 31 December 2005	5,033	10,825	15,858
Developed	2,248	62	2,310
Undeveloped	2,785	10,763	13,548
	5,033	10,825	15,858

Estimated net proved and probable reserves of natural gas

	Proved Latin America cu ft (millions)	Probable Latin America cu ft (millions)	Total all cu ft (millions)
2005			
Subsidiary undertakings			
At 1 January			
Developed	–	–	–
Undeveloped	–	7,377	7,377
	–	7,377	7,377
Changes in year attributable to			
Revision of previous estimates	–	2,313	2,313
At 31 December 2005	–	9,690	9,690
Developed	–	–	–
Undeveloped	–	9,690	9,690
	–	9,690	9,690

Directors' biographies

Mikel Faulkner Chairman (56)

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

Stephen Voss Managing Director (57)

Stephen Voss received a Masters degree in Business Administration from Harvard University in June 1976 and a Bachelors of Science degree in Petroleum Engineering from Texas A&M in May 1971. From 1972 to 1974, he was employed by Burmah Oil and Gas Company in Lafayette, Louisiana as a drilling engineer. From 1976 to 1981, he worked for Goldrus drilling Company as executive vice president and chief operating officer. In 1981, Stephen founded Reliant Drilling Company as CEO. Stephen is a Member of SPE–AIME (Society of Petroleum Engineers–American Institute of Mine Engineers) and is a Registered Petroleum Engineer in Texas.

Guillermo Sanchez Executive Director (64)

Guillermo Sanchez is the Company's Director of International Negotiations, overseeing the Company's Bogotá office and operations. Guillermo received a Petroleum Engineering degree from the University of America in Santafe de Bogotá, Colombia. He began his career with Texaco, Inc. in Texas and Louisiana where, for 13 years, he served in various engineering and management positions. He later served as vice president of the Republic Bank Energy Banking Group in Houston, Texas where he was responsible for the technical advice required to administer a significant portion of the Bank's oil and gas production loans to companies in the US, Cameroon, Indonesia and Argentina. During the late 1980s, he worked for Reliant Drilling Company, an active drilling contractor in the US and South America, as president of their Colombian subsidiary. He joined Harken Energy Corporation (Harken) in 1991 and was formerly senior vice president. Upon Global's acquisition of Harken's Latin American subsidiaries in 2002, Guillermo became Global's Director of International Negotiations.

Alan Henderson Non-executive Director (72)

Alan Henderson is chairman of Forum Energy Plc and a director of Aberdeen New Dawn Investment Trust Plc and Aberdeen New Thai Investment Trust plc. He also serves as chairman, director or trustee of various charitable organisations. He was previously chairman of Ranger Oil UK Ltd and a director of Ranger Oil Ltd.

David Quint Non-executive Director (55)

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, which was the company's nominated adviser until 1 June 2005. Guidelines enacted by AIM on 18 March 2005 required the Company to designate a new nominated advisor at that time.

The Rt. Hon. Lord Freeman Non-executive Director (63)

Lord Freeman is a member of the House of Lords and also serves as chairman of Thales Holdings UK plc. He is a consultant to PricewaterhouseCoopers (London) and chairman of their corporate finance advisory board; director of Thales S.A. (France); a member of the advisory board to ID-DAS Ltd; chairman of Metalysis Ltd; chairman of Radiation Watch Ltd and chairman of Cambridge Enterprise advisory board. Lord Freeman is a graduate of Balliol College, Oxford. He was formerly a partner and managing director of Lehman Brothers (New York and London), specialising in cross-border mergers and acquisitions, and then a partner of PricewaterhouseCoopers (UK). Lord Freeman was MP for Kettering from 1983 to 1997, and held a number of ministerial positions during this time, including the parliamentary secretary for the departments of health and armed forces and minister of state for public transport and defence procurement. He also served as a member of the cabinet as Chancellor of the Duchy of Lancaster.

Corporate governance statement

Statement by the Directors on compliance with the Combined Code

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

The workings of the Board and its committees

The Board The Board comprises three Non-executive Directors and three Executive Directors. The Executive Directors are Mikel Faulkner, who serves as the Chairman of the Company, Stephen Voss, who serves as the Company's Managing Director and Guillermo Sanchez, who serves as the Company's Director of International Negotiations. There is a clear division of responsibility between the Chairman and the Managing Director, with the Chairman being charged with the running of the Board, and the Managing Director with the running of the Company's business, thus ensuring a balance of power and authority. The three Non-executive Directors are Alan Henderson, David Quint, and Lord Freeman. The combined Board provides the Company with a wide range of expertise on issues relating to the Company's mission, operations, strategies and, most importantly, its standards or conduct.

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

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

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

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

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

Relations with Shareholders Communication with shareholders is conducted through correspondence, meetings, press announcements, stock exchange releases and Global'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 reasonably but not absolute assurance against material misstatement or loss. In view of the size of the Company, the Board does not consider that an internal audit function is required at present; however, the Board intends to keep this under review. The key procedures, which the Directors have established with a view to providing effective internal control, are as follows:

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

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

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

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

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

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

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

Directors' report

The Directors present their report and the Group accounts for the year ended 31 December 2005.

Principal activities

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

During the year, the acreage position held by the Group enlarged by almost 74% to approximately 5.16 million acres as at 31 December 2005. Independently audited proved plus probable reserves net to the Group enlarged to 17,474,000 BOE as at 31 December 2005. The Group ended 2005 with several new high-potential exploration assets following the addition of two new contracts and a new agreement secured in Colombia during 2005. The Group also ended 2005 with production from five Colombian contracts.

Results and dividends

The Group's profit for the year amounted to \$4,368,763 (2004: \$2,566,555). The Directors do not recommend payment of a dividend due to the Company's strategy of reinvesting in capital assets.

Directors

The following were Directors throughout the year:

Mikel Faulkner (Executive Chairman)
 Stephen Voss (Managing Director)
 Guillermo Sanchez (Executive Director) – Appointed 5 December 2005
 Alan Henderson (Non-executive Director)
 David Quint (Non-executive Director)
 Lord Freeman (Non-executive Director) – Appointed 5 December 2005

Alan Henderson stood for re-election and was re-elected at the Annual General Meeting of the Company which took place on 16 June 2005.

The Directors holding office at 31 December 2005 had the following interests in the ordinary shares, options and warrants of the Company:

	31 December 2005			1 January 2005		
	Ordinary Shares	Options	Warrants ⁽²⁾	Ordinary shares	Options	Warrants ⁽²⁾
Mikel Faulkner ⁽¹⁾	97,554	1,580,000	–	78,029	1,580,000	19,647
Stephen Voss ⁽¹⁾	21,849	990,000	–	17,465	990,000	4,506
Alan Henderson	–	80,000	–	–	60,000	–
David Quint	56,232	50,000	–	21,127	60,000	5,105
Guillermo Sanchez ⁽¹⁾	12,483	590,000	–	–	–	–
Lord Freeman	–	40,000	–	–	–	–

(1) Includes shares that are beneficially owned through Andean Management L.L.C., a US private company owned 100% by Mr Voss, Mr Sanchez and Mr Faulkner.

(2) Warrants to subscribe for ordinary shares at an exercise price of 60p per share. The warrants expired on 8 August 2005.

All the holdings are beneficially held unless otherwise indicated.

On 22 November 2005, David Quint exercised 30,000 options for 30,000 shares at a gain of 208p per share or \$107,222.

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

A summary of the number of meetings attended by the Directors of the Company during 2005 is provided below.

	Board Meetings	Audit Committee ⁽²⁾	Remuneration Committee ⁽²⁾	Total
Mikel Faulkner	4	–	–	4
Stephen Voss	4	–	–	4
Guillermo Sanchez ⁽¹⁾	1	–	–	1
David Quint	4	2	3	9
Alan Henderson	4	2	3	9
Lord Freeman ⁽¹⁾	1	–	1	2

(1) Guillermo Sanchez and Lord Freeman were appointed on 5 December 2005 with the last Board Meeting and Remuneration Committee Meeting held during 2005 being held on 7 December 2005.

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

Substantial Shareholders

At 31 December 2005 the Company had been notified of the following interests of 3% or more in the nominal value of the Company's ordinary shares.

	Number of shares	%
Harken Energy Corporation	11,893,462	33.75
Lyford Investment Enterprises, Ltd.	7,000,000	19.87
FMR Corp and Fidelity International Limited	5,228,557	14.84
Merrill Lynch Investment Manager	1,106,755	3.14

Donations

During the period the Group made donations to The Children's Vision International, a non-profit foundation in Colombia of \$11,000 (2004: \$11,000).

Creditors Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its individual suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2005, the Group had an average of 45 days (2004: 45 days) purchases outstanding in trade creditors.

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

On behalf of the Board.



Mikel D. Faulkner
Chairman

19 April 2006



Stephen C. Voss
Managing Director

19 April 2006

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

Independent Auditor's report

to the shareholders of Global Energy Development PLC

We have audited the Group and parent Company financial statements (the "financial statements") of Global Energy Development PLC for the year ended 31 December 2005 which comprise the Group profit and loss account, the Group and parent Company balance sheets, the Group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statements, the Managing Director's review, the corporate governance statement and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2005 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
London

19 April 2006

Group profit and loss account

For the year ended 31 December 2005

	Note	2005 \$000	2004 \$000
Turnover	2	19,045	10,974
Cost of sales	3	(9,755)	(5,625)
Gross profit		9,290	5,349
Administrative expenses	3	(4,364)	(2,241)
Other Income		176	24
Operating profit	4	5,102	3,132
Interest receivable		79	18
Interest payable	7	(97)	(23)
Profit on ordinary activities before taxation		5,084	3,127
Taxation on profit from ordinary activities	8	(715)	(561)
Profit on ordinary activities after taxation		4,369	2,566
Transfer to reserves	23	4,369	2,566
Earnings per ordinary share			
– Basic	10	0.14	0.09
– Diluted	10	0.13	0.09

There are no recognised gains and losses other than the profit of \$4,368,763 (2004: \$2,565,555) for the year ended 31 December 2005.

All amounts relate to continuing operations.

Group balance sheet

At 31 December 2005

	Note	2005 \$000	2004 \$000
Fixed assets			
Intangible assets	11	2,049	1,221
Tangible assets	12	69,873	57,170
		71,922	58,391
Current assets			
Stocks	14	451	474
Debtors	15	5,697	2,005
Cash at bank and in hand	16	8,212	2,857
		14,360	5,336
Creditors: amounts falling due within one year	17	(3,772)	(5,107)
		10,588	229
		82,510	58,620
Total assets less current liabilities			
Convertible loan notes	20	(10,482)	–
Provision for liabilities and charges	21	(575)	(529)
		71,453	58,091
Capital and reserves			
Called-up share capital	22	537	406
Other reserve	23	1,314	–
Capital reserve	23	210,844	210,844
Share premium account	23	26,288	18,740
Profit and loss account	23	(167,530)	(171,899)
		71,453	58,091

Approved by the Board on 19 April 2006.



Mikel D. Faulkner
Chairman



Stephen C. Voss
Managing Director

Company balance sheet

At 31 December 2005

	Note	2005 \$000	2004 \$000
Fixed assets			
Tangible assets	12	326	293
Investments	13	29,820	21,836
		30,146	22,129
Current assets			
Debtors	15	922	305
Cash at bank and in hand	16	7,105	250
		8,027	555
Creditors: amounts falling due within one year	17	(9,985)	(10,708)
Net current liabilities		(1,958)	(10,153)
Total assets less current liabilities		28,188	11,976
Convertible notes	20	(10,482)	–
		17,706	11,976
Capital and reserves			
Called-up share capital	22	537	406
Other reserve	23	1,314	–
Share premium account	23	26,288	18,740
Profit and loss account	23	(10,433)	(7,170)
		17,706	11,976

Approved by the Board on 19 April 2006.



Mikel D. Faulkner
Chairman



Stephen C. Voss
Managing Director

Group cash flow statement

Year ended 31 December 2005

	Note	2005 \$000	2004 \$000
Net cash inflow from operating activities	25	4,651	8,196
Returns on investment and servicing of finance			
Interest received		79	18
Interest paid		(97)	–
		(18)	18
Taxation		(715)	(65)
Capital expenditure and financial investment			
Expenditure on intangible and tangible fixed assets		(18,515)	(8,700)
Net cash outflow before financing		(14,597)	(551)
Financing			
Issue of share capital		7,677	5
Convertible loan notes issued		12,500	–
Increase/(decrease) in cash		5,580	(546)
Cash at beginning of year		2,632	3,178
Cash at end of year		8,212	2,632

Notes to the financial statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development and Decommissioning Activities" (the SORP).

The financial statements are presented in US dollars as this is the principal currency in which the Group's activities are conducted.

The following principal accounting policies have been applied and remain unchanged from the previous year:

Basis of consolidation

The consolidated financial statements incorporate the results of Global Energy Development PLC and all of its subsidiary undertakings as at 31 December 2005 using the merger method of accounting.

Merger accounting

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

Fixed assets

(a) Intangible assets

The Group follows the "full cost" method of accounting for the costs associated with certain new areas of exploration interest. These costs are assessed for recoverability on at least an annual basis or when there has been an indication that impairment in value may have occurred, such as a relinquishment of the acreage.

Impairment of unevaluated prospects is assessed based on management's intention with regard to future exploration and development of individually significant properties and the ability of the Group to obtain funds to finance such exploration and development.

When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to tangible assets and depleted over the expected productive life of the asset. Whenever a project is not considered viable, the associated exploration expenditure is transferred to the relevant tangible cost pool. Where there are no development and producing assets within the cost pool, the transferred exploration expenditure is charged directly to the profit and loss account.

(b) Oil and gas properties, and facilities and pipelines

The Group follows the "full cost" method of accounting for the costs associated with exploration, appraisal, development and production of oil and gas reserves. The Group's evaluated oil and gas assets are held in a separately designated geographical cost pool, which is Latin America. The costs of acquisition of a property (including rights and concessions), geological and geophysical costs, cost of field production facilities, pipelines and plant and equipment are classified as tangible fixed assets if they relate to proved and probable oil and gas properties.

All costs associated with property acquisition, exploration and development are capitalised regardless of whether they result in commercial discoveries or not. Proceeds from the disposal of oil and gas assets are credited to the cost pools. Producing oil and gas assets are depleted by pool on a unit of production method in the proportion of actual production for the period to the total remaining commercial reserves. Reserves are those estimated at the end of the period plus production during the period. For depletion purposes only, the cost base includes costs of capital assets and anticipated future development expenditure expected to be incurred to access these reserves.

Interest cost directly attributable to development costs of an asset are capitalised in accordance with FRS15.

(c) Other tangible fixed assets

Other tangible fixed assets are depreciated on a straight-line basis so as to write off the cost less any estimated residual value of each asset evenly over its estimated useful economic life as follows:

- Office equipment and other – between 5 to 7 years.

1. Accounting policies (continued)

(d) Impairment of fixed assets

The carrying value of fixed assets is reviewed for impairment in the periods when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimated recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and the value in use. The value in use is determined by reference to estimated future discounted cash flows.

Decommissioning provision

Provision for decommissioning of oil and gas production facilities is recognised in the accounts on commencement of field development on the basis of costs estimated at the balance sheet date in accordance with the local conditions and requirements. Such provision represents the Company's share of the estimated liability for costs, which will be incurred in removing production platforms and facilities at the end of the commercial production from the field.

Where the time value of money is material, the provision made in the financial statements is for the present value of the estimated future costs. A corresponding tangible fixed asset is also created for the amount equal to the provision when it is first made in the financial statements. Any change in the value of estimated expenditure is reflected as an adjustment to the provision and fixed asset. This asset is subsequently depreciated as part of oil and gas assets in accordance with the depreciation policy applied to such assets.

Where the provision is discounted, the carrying value of the provision increases each year to reflect the passage of time. This increase is recognised as an annual charge to the current year profit and loss account and is included within interest expense.

Investments

Fixed asset investments in subsidiaries, joint ventures and associates are included in the accounts at cost less provision for impairment.

Stocks

Stocks, which comprise oil in tanks and pipelines as well as materials, are stated at the lower of cost or net realisable value.

Foreign currencies

(a) Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(b) Group

The accounts of the overseas subsidiary undertakings and Group's operations conducted through a foreign branch are translated at the rate of exchange ruling at the balance sheet date. All translation differences are taken to the profit and loss account.

Turnover

Turnover represents the amounts invoiced by the Group to third parties in the ordinary course of business, in respect of the Group's crude oil production, and is stated net of royalties and applicable taxes. Turnover is recognised on delivery of products.

Pension costs

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

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Deferred tax

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

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

Notes to the financial statements

1. Accounting policies (continued)

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

Convertible debt

In accordance with FRS25, the Company has classified the convertible debt in issue as a compound financial instrument. Accordingly, the Company presents the liability and equity component separately on the balance sheet. The classification of the liability and equity component is not reversed as a result of a change in the likelihood that the conversion option will be exercised. No gain or loss arises from initially recognising the components of the instrument separately. Interest on the debt element of the loan is accreted over the term of the loan. Costs associated with raising of debt are set off against the gross value of monies received.

Liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposit repayable on demand, less overdrafts payable on demand.

Finance costs

Finance costs directly attributable to the construction of assets have been capitalised in accordance with FRS15. Where the conditions of FRS15 do not apply finance costs are charged to the profit and loss account in accordance with FRS4.

2. Turnover and segmental analysis

Turnover and profit on ordinary activities before taxation are attributable to one continuing activity, which is oil production in Latin America.

3. Cost of sales and operating expenses

	2005 \$000	2004 \$000
Production costs	5,396	2,538
Depletion of oil properties	3,672	2,664
Depletion of other tangible fixed assets	687	423
Total cost of sales	9,755	5,625
General and administrative	4,364	2,241
Total cost of sales and administration	14,119	7,866

4. Operating profit

	2005 \$000	2004 \$000
This is stated after charging:		
Auditors' remuneration, under accruals basis		
Audit services – Group	104	137
Non-audit services	65	82
	169	219
Operating lease expense (rent)	253	198
Loss on disposal of tangible fixed assets	–	34
Exchange gains	121	6

The non-audit services include tax compliance services and services provided in relation to corporate transactions.

The Company audit fee for the year is \$84,550 (2004: \$78,000).

5. Staff costs

	2005 \$000	2004 \$000
Staff costs, including executive Directors, were as follows:		
Wages and salaries	1,815	698
Social security costs and other benefits	102	59
Payroll taxes	221	66
Pension contribution	–	36
	2,138	859

Included within the above costs are \$827,828 (2004: \$661,253) relating to wages and salaries, \$74,982 (2004: \$43,145) relating to social security costs and other benefits, \$161,128 (2004: \$45,349) relating to payroll taxes and \$nil (2004: \$36,000) relating to pension contributions which have been paid by the Company itself.

The average monthly number of full time employees during the year was made up as follows:

	2005 Number	2004 Number
Management and administration	12	7
Technical and operational	5	3
	17	10

Seven management and administrative employees were employed by the Company directly.

6. Directors' remuneration

The table below details the Directors' emoluments for the year.

	Bonus \$	Salary \$	Benefits \$	Fees \$	Total 2005 \$	Total 2004 \$
Executives						
Mikel Faulkner	135,000	–	–	33,142	168,142	75,000
Stephen Voss	151,500	215,000	15,972	–	382,472	249,890
Guillermo Sanchez	94,000	175,000	16,141	–	285,141	–
Non-executives						
Alan Henderson	–	–	–	33,600	33,600	18,700
David Quint	–	–	–	33,600	33,600	18,700
Lord Freeman	–	–	–	–	–	–
	380,500	390,000	32,113	100,342	902,955	362,290

Details of the Directors' interests in shares, warrants and share options of the Company are set out in the Directors' Report.

There were two (2004: two) Directors in the Company's defined pension contribution scheme. Included in the total for 2004 are pension contributions of \$14,662. Pension contributions to which the Directors were entitled during 2005 but which had not been paid at the year end were \$36,000.

7. Interest payable and similar charges

	2005 \$000	2004 \$000
Unwinding of discount on decommissioning	(54)	(23)
Other interest payable	(43)	–
	(97)	(23)

Notes to the financial statements

8. Taxation on profit on ordinary activities

The taxation charge is made up as follows:

	2005 \$000	2004 \$000
UK corporation tax	-	-
Foreign tax		
Presumptive income tax for the year	715	561
Total tax	715	561

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of taxation in the UK. The differences are explained below:

	2005 \$000	2004 \$000
Profit on ordinary activities before taxes	5,084	3,127
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	1,525	938
Effects of:		
Asset based tax rates on overseas earnings (see below)	(810)	(377)
Total tax	715	561

Global pays taxes in Colombia through its subsidiary Harken de Colombia, Ltd. The current tax included represents the tax payable under Colombian legislation called Presumptive Income Tax (PIT). The PIT calculation is based upon a presumptive income equivalent to 6% of the previous year taxable net assets. The tax rate on the presumptive income is 38.5%. The 2005 income tax provision is for \$715,000.

Factors affecting future tax payable

No provision has been made for a deferred tax asset arising on Colombian tax losses carried forward of \$97,000,000 (2004: \$134,000,000) as it is unlikely there will be sufficient taxable profits from which the asset can be recovered. These carried forward losses will expire between 2006 and 2007. Also, for the same reason no deferred tax asset has been recognised in relation to the UK tax losses.

9. Profit and loss account for the parent company

As permitted by S.230(1) of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The loss of the parent company for the year was \$3,263,000 (2004: \$2,456,000)

10. Earnings per share

The calculation of basic and diluted earnings per ordinary share is based on the net income for the year of \$4,368,763 (2004: \$2,565,555). The weighted average number of shares used in calculating basic earnings per share in 2005 is 31,647,889 (2004: 28,012,817).

A reconciliation of the weighted average number of shares used in determining the basic earnings per share figures to the diluted earnings per share figures is given below.

	Profit 2005 \$000	Weighted average number of shares 2005	Per share 2005
Basic	\$4,369	31,647,889	0.1380
Potential shares on conversion of loan		1,148,213	
Diluted	\$4,369	32,796,102	0.1332

10. Earnings per share (continued)

	Profit 2004 \$000	Weighted average number of shares 2004	Per share 2004
Basic	\$2,566	28,012,817	0.0915
Diluted	\$2,566	28,012,817	0.0915

11. Intangible assets

Cost:	Company \$000	Group \$000
Peru		
At 1 January 2005	–	728
Additions	–	794
At 31 December 2005	–	1,522
Panama		
At 1 January 2005	–	493
Additions	–	34
At 31 December 2005	–	527
Total intangible costs		
At 31 December 2005	–	2,049
At 31 December 2004	–	1,221

The above assets relate to certain new areas of exploration interest.

12. Tangible fixed assets**Group**

	Oil and gas properties \$000	Facilities and pipelines \$000	Office equipment and other \$000	Total \$000
Cost:				
At 1 January 2005	182,673	15,740	1,182	199,595
Additions	14,384	2,374	304	17,062
At 31 December 2005	197,057	18,114	1,486	216,657
Depreciation:				
At 1 January 2005	(136,300)	(5,349)	(776)	(142,425)
Provided during the year	(3,672)	(494)	(193)	(4,359)
At 31 December 2005	(139,972)	(5,843)	(969)	(146,784)
Net book value at 31 December 2005	57,085	12,271	517	69,873
Net book value at 31 December 2004	46,373	10,391	406	57,170

Included in the cost of tangible fixed assets is \$87,427 (2004: \$nil) in respect of capitalised interest costs. Depreciation for the year on these assets is \$14,234 (2004: \$nil). Net book value for capitalised interest costs is \$73,193 (2004: \$nil).

Notes to the financial statements

12. Tangible fixed assets (continued)

Company

	Office equipment and other \$'000
Cost:	
At 1 January 2005	638
Additions	192
At 31 December 2005	830
Depreciation:	
At 1 January 2005	(345)
Provided during the year	(159)
At 31 December 2005	(504)
Net book value at 31 December 2005	326
Net book value at 31 December 2004	293

13. Group investments

Company

	2005 \$'000
Costs:	
At 1 January 2005	21,836
Additions	7,984
At 31 December 2005	29,820

All investments relate to subsidiary undertakings.

Group

The Group's subsidiaries at 31 December 2005 are listed below.

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

The following branches are included in the subsidiaries listed above:

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

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

14. Stocks

	Group	
	2005 \$000	2004 \$000
Crude stock	71	81
Yard stock	380	393
	451	474

Stocks include oil in tanks and pipelines located in Colombia, and yard stock, which includes casing, tubing and other materials for the operation of the production facilities and for exploratory drilling. Stocks are stated at the lower of cost or net realisable value.

15. Debtors: amounts falling due within one year

	Company 2005 \$000	Company 2004 \$000	Group 2005 \$000	Group 2004 \$000
Trade debtors	–	–	3,049	1,387
Other debtors	695	39	2,102	233
Prepayments and accrued income	227	266	546	385
	922	305	5,697	2,005

16. Cash at bank and in hand

At 31 December 2005 and 2004, there were no restrictions on cash balances.

17. Creditors: falling due within one year

	Company 2005 \$000	Company 2004 \$000	Group 2005 \$000	Group 2004 \$000
Bank overdraft	–	–	–	225
Trade creditors	–	41	2,536	3,468
Taxation and social security	–	–	212	176
Other creditors	–	–	–	285
Amount owed to parent companies	–	440	–	440
Amounts owed to subsidiary undertakings	9,783	9,785	–	–
Accruals and deferred income	202	442	1,024	513
	9,985	10,708	3,772	5,107

Notes to the financial statements

18. Financial instruments

Foreign currency

International operations consist of oil and gas exploration and development efforts in certain Latin American countries pursuant to certain contracts. These activities are accounted for using the United States dollar as the functional currency; therefore the Group is not exposed to currency risk except for immaterial balances in monetary accounts in Colombia. Also the Group does not engage in a policy of hedging oil prices.

Currency exposures

The monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating unit concerned are shown below. The amounts shown represent the local currency equivalent in US dollars.

	Colombian peso \$000	Sterling \$000	Total \$000
At 31 December 2005			
Functional currency of Group operations:	331	44	375
At 31 December 2004			
Functional currency of Group operations:	289	13	302

Interest rates and financial assets and liabilities

Floating rate financial assets of \$8,212,655 (2004: \$2,857,000) comprise US dollars, Colombian peso and sterling cash deposits on money market and bank deposits at call. These are no fixed-rate financial assets.

The Group has no material financial assets other than short-term debtors and cash, and no financial liabilities other than short-term creditors and convertible loan notes. There are no material differences between the carrying amounts of the financial assets and their fair values.

Detail regarding the Group's financial liabilities are disclosed in note 20.

Debtors and creditors due in less than one have been excluded from the above disclosures as permitted by FRS13.

19. Obligations under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Company 2005 \$000	Company 2004 \$000	Group 2005 \$000	Group 2004 \$000
Operating leases, which expire:				
Within one year	124	9	235	56
In two to five years	–	188	29	188

All commitments relate to land and buildings.

20. Convertible loan notes

	Company 2005 \$000	Company 2004 \$000	Group 2005 \$000	Group 2004 \$000
Convertible loan notes	10,482	–	10,482	–

On 27 October 2005, the Group entered into a fixed-rate loan agreement for \$12,500,000. Unless previously redeemed, converted or purchased and cancelled the note is repayable in full on 30 October 2012. If the Company redeems the loan notes prior to 30 October 2008, an early redemption penalty of 8% on the outstanding balance is payable.

The loan notes incur an interest charge of 5% per annum for the three years to 30 October 2008, 6% per annum for the two years to 30 October 2010 and thereafter an interest rate of 7%. Interest is payable quarterly. The effective interest rate is therefore 5.85%.

Loan notes holders have the right to convert the outstanding amount (or part thereof) into ordinary shares at a fixed exchange rate of \$1.78:£1 and at a fixed price of 305.8p at any time. This equates to \$5.44 of debt per share issued.

20. Convertible loan notes (continued)

The loan notes are not secured against any assets of any Group company.

In accordance with the provisions of FRS25, the Company has determined the convertible loan note to be a compound financial instrument. As a result of which a proportion of the loan has been classified as equity. The reclassified element represents the difference between the fair value of a similar liability with no equity conversion option and the fair value of the existing loan in current terms. Accordingly an amount of \$1,314,000 has been reclassified to equity. Costs incurred in raising the loan amounts of \$625,000 (2004: \$nil) have been set against the loan amount. The effective interest rate is 5.96%.

21. Provisions for liabilities and charges

	Decommissioning provision \$000
At 1 January 2005	529
Unwinding of discount factor	46
At 31 December 2005	575

The decommissioning provision relates to the future costs of decommissioning of the Group's oil and gas assets expected to be incurred over the next 14 years according to the estimates provided by the field operators. The provision has been estimated at current prices and discounted using a discount rate of 10% per annum.

22. Share capital

	31 December 2005 Number	31 December 2004 Number	31 December 2005 \$000	31 December 2004 \$000
Authorised				
Ordinary shares of 1p each	75,000,000	75,000,000	1,163	1,163
Allotted, called up and fully paid				
Ordinary shares of 1p each	35,235,430	28,060,348	537	406

During the year, a total of 7,175,082 shares were issued under the terms of the Group's share option scheme and Group's warrants, 187,540 and 6,987,542, respectively.

During 2004, the rules of the option scheme were amended such that option holders could elect to settle the exercise value by foregoing further options of an equivalent market value. During the year, 245,364 options were forgone for the 187,540 shares issued under the terms of the Group share option scheme.

Consideration received in respect of the issues of shares during the year was as follows:

	Number of shares	Consideration \$000	Share capital \$000	Share premium \$000
Balance brought forward as at 1 January 2005	28,060,348		406	18,740
Issue of options	187,540	29	3	26
Issue of warrants	6,987,542	7,650	128	7,522
Balanced carried forward as at 31 December 2005	35,235,430	7,679	537	26,288

Notes to the financial statements

At 31 December 2005, the following share options were outstanding in respect of the ordinary shares:

Year of grant	Number of shares	Exercise Period		Price per share
		Start date	End date	
2002	2,967,636	31.1.2002	31.1.2012	50.0p
2002	30,000	8.8.2002	12.8.2012	54.5p
2004	780,000	3.12.2004	3.12.2014	151.1p
2005	270,000	8.12.2005	8.12.2015	265.1p
Total	4,047,636			

At 31 December 2005 there were no outstanding warrants.

The Company's share price at 31 December 2005 was 248.5p. The highest and lowest share prices during the year were 346.5p and 133.5p, respectively.

23. Group movement on reserves

	Capital reserve account \$000	Share premium account \$000	Profit and loss account \$000	Other reserve account \$000
At 1 January 2004	210,844	18,736	(174,465)	–
Placement of new share capital	–	4	–	–
Profit for the year	–	–	2,566	–
At 1 January 2005	210,844	18,740	(171,899)	–
Placement of new share capital	–	7,548	–	–
Equity proportion of convertible loan note	–	–	–	1,314
Profit for the year	–	–	4,369	–
At 31 December 2005	210,844	26,288	(167,530)	1,314

Company movement on reserves

	Capital reserve account \$000	Share premium account \$000	Profit and loss account \$000	Other reserve account \$000
At 1 January 2004	–	18,736	(4,714)	–
Placement of new share capital	–	4	–	–
Loss for the year	–	–	(2,456)	–
At 1 January 2005	–	18,740	(7,170)	–
Placement of new share capital	–	7,548	–	–
Equity proportion of convertible loan note	–	–	–	1,314
Loss for the year	–	–	(3,263)	–
At 31 December 2005	–	26,288	(10,433)	1,314

24. Reconciliation of movements on shareholders' funds

	Company 2005 \$000	Company 2004 \$000	Group 2005 \$000	Group 2004 \$000
Total recognised gains and losses	(3,263)	(2,456)	4,369	2,566
Equity portion of convertible loan notes	1,314	–	1,314	–
New share capital subscribed less issue costs	7,679	5	7,679	5
Total movements during the year	5,730	(2,451)	13,362	2,571
Shareholders' funds at 1 January	11,976	14,427	58,091	55,520
Shareholders' funds at 31 December 2005	17,706	11,976	71,453	58,091

25. Notes to the statement of cash flows

	2005 \$000	2004 \$000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	5,102	3,132
Depreciation, depletion and amortisation	4,359	3,087
Decrease in debtors and prepayments	(3,433)	(2,070)
Increase/(decrease) in creditors	(1,334)	4,039
Loss on sale of fixed assets	–	34
Increase/(decrease) in inventory	(43)	(26)
Net cash inflow from operating activities	4,651	8,196

26. Reconciliation of net cash outflow to movements in net funds

	2005 \$000	2004 \$000
Increase/(decrease) in cash in the year	5,580	(546)
Movement in net funds/(debt) resulting from cashflows	5,580	(546)
Issue of convertible loan notes	(12,500)	–
Opening net funds	2,632	3,178
Closing net (debt)/funds	(4,288)	2,632

27. Analysis of net funds

	At 1 January 2005 \$000	Net cash flows \$000	At 31 December 2005 \$000
Cash at bank and in hand	2,857	5,355	8,212
Bank overdrafts	(225)	225	–
	2,632	5,580	8,212
Debt due after one year	–	(12,500)	(12,500)
Total	2,632	(6,920)	(4,288)

Notes to the financial statements

28. Related party transactions

David Quint is a Director of the Company and a director of RP&C International Ltd. RP&C International acted as nominated adviser to the Company through to 1 June 2005, and provided certain corporate finance services during 2005.

The Company receives certain administrative and management services from Harken Energy Corporation, a related party through its interest in the share capital of the Company. These costs are recharged to the Company (see details below).

	Services provided year ended 31 December 2005 \$000	Amounts owed from/(to) related parties as at 31 December 2005 \$000	Services provided year ended 31 December 2004 \$000	Amounts owed from/(to) related parties as at 31 December 2004 \$000
Harken Energy Corporation	272	–	244	(440)
RP&C International Inc.	676	–	71	18*

* Represents an accrued portion of biannual prepayment for nominated advisory services.

29. Capital commitments and contingent liabilities

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

	Group 2005 \$000	Company 2005 \$000
Contracted	8,800	–

On 31 May 2005, the Colombian federal taxing authority, referred to by its Spanish acronym as DIAN, issued an official tax assessment with regard to Harken De Colombia Limited's (HDC) tax return for 2001. The tax assessment includes a "presumptive income tax" (PIT) equal to approximately \$605,000 and an inaccuracy fine of \$968,000. In August 2005, HDC filed its response to the tax assessment through the instigation of a formal administrative proceeding. DIAN must respond within one year. HDC intends to complete the administrative proceeding and object to DIAN's conclusions on the following grounds: (a) Colombian statutes require that the asset base for PIT be calculated as of the end of the year preceding the tax year in question; and (b) as of the year ended 31 December 2000, the Alcaravan and Bolivar contracts were not productive assets for tax purposes. HDC faced a similar issue for its 2000 Colombian tax return. HDC refuted DIAN's claim based on the arguments presented above, and ultimately the 2000 Colombian tax return issues were resolved in HDC's favour. Accordingly, Global believes that any liability of itself or its consolidated companies as a result of the tax assessment will not have a material adverse effect on Global's operations or financial condition.

In June 2005, Global's Colombian branch, HDC, was notified that a property owner in Colombia had added them as a defendant in a lawsuit alleging that his property had been damaged by an amount of approximately \$1.9 million as a result of certain seismic activities conducted by Grant Geophysical, Inc., a subcontractor, on the claimant's property. Subsequent to this notice, HDC filed a motion to dismiss plaintiff's claims against HDC. On 15 July 2005, the court determined to dismiss all claims alleged by plaintiff against HDC. On 26 July 2005, plaintiff filed an appeal of the court's dismissal. HDC objected to the plaintiff's appeal. On 29 September 2005, the court dismissed the plaintiff's appeal, without prejudice to refiling, and sustained the dismissal of all claims against HDC.

Notes

Notes

Corporate directory

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Mikel Faulkner (Chairman)
Stephen Voss (Managing Director)
Guillermo Sanchez (Executive Director)
Lord Freeman (Non-executive Director)
Alan Henderson (Non-executive Director)
David Quint (Non-executive Director)

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