# The Niche Group plc

## Annual Report and Financial Statements

## For the year ended 30 June 2011



Company number 4006413

NICHE GROUP

# Annual Report and Financial Statements

for the year ended 30 June 2011

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# Company Information

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| Directors | **S Thomas** Executive Chairman (appointed 9 November 2011)<br>**R. Patel** Executive<br>**D Boylan** Executive<br>**C Weafer** Non-Executive (appointed 1 September 2011) |
| Secretary | **Kitwell Consultants Limited** |
| Company Number | 4006413 |
| Registered Office | Aston House<br>Cornwall Avenue<br>London N3 1LF |
| Auditors | **HW Fisher & Company**<br>Acre House<br>11-15 William Road<br>London NW1 3ER |
| Bankers | **Royal Bank of Scotland Plc**<br>28 Cavendish Square<br>London W1M 0DB |
| Nominated Advisor | **Daniel Stewart & Company Plc**<br>Becket House<br>36 Old Jewry<br>London EC2R 8DD |
| Joint Nominated Brokers | **Daniel Stewart & Company Plc**<br>Becket House<br>36 Old Jewry<br>London EC2R 8DD<br><br>**Canaccord Genuity Limited**<br>80 Victoria Street<br>London SW1E 5JL |
| Registrar | **Capita Registrars**<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |

NICHE GROUP

# Chairman's Statement

for the year ended 30 June 2011

I am pleased to provide my first Chairman's Statement to accompany our annual report for the year to 30 June 2011 Substantial progress has been made on two fronts

- Corporate to further develop, fund and implement our investment strategy, and
- Operational the progress of our investee companies to develop and monetise assets

## Corporate Development

### Funding & Investments

Niche Group's strategy is to invest in the natural resources sector Since our initial convertible loan to Oman Resources in 2010, we have focused on the Turkish energy market which the board considers represents a significant opportunity for value creation, both through the near-term implementation of gas production and the upside offered by further exploration activity This strategy has been well supported by the investment community and Niche Group has raised gross funds of £26,317,212 during the period under review Such funding enabled Niche Group, during the period, to

(i) lend a further £13,660,000 to Oman Resources to fund additional farm-ins, drilling and infrastructure programmes, thereby increasing the convertible loans to Oman Resources to £18,610,000 which would convert, either at Niche Group's option or automatically on the occurrence of certain specified events, into 35 7% of Oman Resources, and if the loans are not repaid by the due date being 30 December 2011, Niche Group, by exercising its security (as described in the Directors' Report), would end up owning 100% of Oman Resources, and

(ii) acquire a 5% interest in Arar Petrol ve Gaz AUPAS for £8,000,000

With the benefit of substantial asset development since Niche Group's initial convertible loan, Oman Resources has seen its asset base of best estimate gross recoverable Reserves, Contingent and Prospective Resources increase significantly, as detailed in their Competent Person's Report (issued October 2011)

At the same time as Niche Group's most recent convertible loan to Oman Resources, the Company acquired a 5% stake in Arar Petrol ve Gaz AUPAS ("Arar") Founded in 2002, Arar has grown to become the second largest petroleum licence holder in Turkey with 21 exploration licences, including the Konya and Hatay Blocks, in which Oman Resources has a 50% interest Arar's acreage offers a combination of low risk development opportunities and frontier exploration It has drilled over 50 wells over the past decade and is a fully integrated oil and gas company with staff and equipment for in-house seismic and interpretation, logging and drilling Fatih Alpay, the founder of Arar, has more than 26 years of drilling experience as an independent contractor for international oil companies in Turkey and internationally

I am pleased to welcome Mr Alpay as a significant shareholder in Niche Group following his personal acquisition, in April 2011, of 14,285,700 Niche Group shares equivalent to approximately 2 1% of the Company

### Board Changes

Shortly after joining in November 2011, as a non-executive director, the board asked me to lead the Company as its Executive Chairman The board would like to place on record its thanks to Nigel Little, who stepped down from the board due to ill health, for his significant contribution to the development of Niche Group to date

The board was pleased to appoint Chris Weafer in September 2011 as Non-executive Director Chris is an expert in the upstream oil and gas industry and continues his thirty year career as a top-ranking strategist and investment analyst We will look to make further strategic board appointments when appropriate

NICHE GROUP

# Chairman's Statement

continued

## Financial Results

As an investing company, Niche Group has no revenues The Company recorded a loss for the year of £774,438 (2010 £895,201) This loss includes £208,764 (2010 £40,522) in respect of share based payments The Company had cash at bank at 30 June 2011 of £1 87million

As Niche Group has loaned significant sums of money to Oman Resources, I consider it appropriate for me to expand on the corporate activities of Oman Resources

## Oman Resources Operational Development

**Licence portfolio**

Oman Resources significantly expanded its licence interests in onshore Turkey by farming in for a 50% interest in a further three blocks in the Hatay region, operated by Arar (the "Operator") The Hatay Blocks, numbered AR/ARR/4396, AR/ARR/4395 and AR/ARR/4394 are situated in the Iskenderun Basin, close to the Eastern Mediterranean Sea The blocks offer the potential for near term gas production from shallow accumulations, as well as larger, deeper potential This increases Oman Resources' licence portfolio to four blocks in which it holds a 50% interest

**Seismic acquisition and interpretation**

The Operator completed a 226 line-km 2D seismic acquisition programme over the southern portion of the Konya Block 4077, funded by Oman Resources The data were sent for processing in Ankara and Houston The new data confirms the presence of a large structural high with multiple fault closures in the western part of the block, and improves our understanding of the overall prospectivity of Block 4077 In addition, a number of potential leads have been identified in the eastern portion of the block

The new seismic, combined with existing seismic data for Block 4077, was incorporated with the first Competent Persons Report ("CPR") in July 2011 and updated in October 2011

**Resources Update**

The latest independent evaluation of the recoverable hydrocarbons across Oman Resources' assets in Turkey – the CPR – was carried out by Senergy (GB) Ltd The CPR showed

- Best estimate Reserves on Hatay Block 4396 of 46 5 Bcf gas recoverable net to Oman Resources following Senergy's upgrade of Prospective Resources to Reserves
- Best estimate Prospective Resources across Hatay Blocks 4395 & 4394 of 63 4 Bcf gas recoverable net to Oman Resources
- Best estimate combined Reserves + Resources across the Hatay Blocks of 109 9 Bcf gas recoverable net to Oman Resources
- Best estimate Reserves, Contingent and Prospective Resources across Oman Resources' whole portfolio of 259 4 Bcf gas recoverable net to Oman Resources (previously 162 Bcf, July 2011)
- Best estimate NPV10 attributable Reserves, un-risked Contingent Resources and Prospective Resources across Oman Resources' whole portfolio of US$583 4 million net to Oman Resources

A full summary of the current recoverable Reserves and Prospective Resources in the Hatay licences and the Contingent Resources in the Konya licence can be found in the Company's announcement to the market made on 27 October 2011 which can be found on the Company's website at www nichegroupplc co uk/investor-relations/announcments aspx

NICHE GROUP

# Chairman's Statement

continued

**Konya Block 4077**

The most significant developments on this block relate to the Gulhanim-2 well (G-2) This well encountered three separate hydrocarbon-bearing zones Gas and gas condensate discoveries, previously announced, were made at Shallow (post-salt) and Intermediate (pre-salt) depths A third, Deeper (pre-salt), pay zone encountered a 38m gross interval of porous and permeable carbonates A combination of oil and gas was encountered in each of the pay zones of the deeper discovery The Deeper zone encountered gas and gas condensate/oil at each of the three intervals, indicating the potential for near-term production of gas and oil from the well, initially from the Deeper zone, in carbonates of the Caldag Formation Fluid samples of the oil were tested on site and were confirmed to be a light gravity crude oil – ranging from 37 to approximately 55 degrees API

The Operator cleaned the well and stabilised the well pressure to prepare for production testing from the Caldag pay zone and we look forward to progress reports

Operations continue at the G-1 well The well was temporarily plugged back to 1300m, and two shallow sand intervals were perforated (1124-11130m & 1277-1283 m) Acid stimulation is planned before testing the two intervals It is recalled that equivalent sands in the G-2 well had very good gas shows

**Hatay Blocks**

**Block 4396**

Block 4396 contains the Hamam-1 well, the first well on Oman Resources' assets to produce gas to an onsite compressed natural gas bottling plant, selling to local gas markets at present in small volumes The Operator has submitted its application for construction of the 30km pipeline tie-in to the main existing network BOTAS pipeline pricing for natural gas was US$8 5/mcf The Hamam-1 well tested earlier this year with a stabilised flow rate of 3 5mmcf/gas per day

A new appraisal well, Ciftlik-1, has recently been spudded to test potential shallow gas accumulations northwest of Hamam-1

Work-over operations are planned for two older wells, Yesiltepe-1 & -2

**Block 4395**

The Operator spudded the Kastal-1 Exploration Well to test the first of two prospects identified in Block 4395, targeting the Miocene sandstones of the Kizildere Fm Kastal-1 was temporarily suspended because of drilling problems Work-over operations are planned for two older wells (Gozlugol-1 and Gokdere-5)

**Block 4394**

Workover operations are planned for the Cumalar-1 well

## Outlook

The board is firmly of the opinion that the Turkish oil and gas sector represents a substantial opportunity for value creation, as illustrated in the latest determinations of the CPR The Company is uniquely positioned, through its relationship with one of Turkey's most established petroleum licence holders/operators, to gain access to this opportunity and has made great progress in establishing a foothold I have, since joining the board, been in discussions with Oman Resources with a view to maximising the value represented to Niche Group shareholders from its convertible loans in Oman Resources and I look forward to updating shareholders regarding this at the appropriate time

**Stuart Thomas**
Executive Chairman

5 December 2011

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# Directors' Report

for the year ended 30 June 2011

The Directors present their report and financial statements for the year ended 30 June 2011

## Principal activities

The Niche Group Plc is a public company incorporated under the Companies Act 1985 and domiciled in the United Kingdom The principal activity of the Company is the investment in gas exploration, development and production companies, initially in Turkey

## Business review

The requirements of the enhanced business review are contained in the Chairman's Statement on pages 3 to 5 The principal risks and uncertainties relate to the ability of Oman Resources and the Operator, ARAR to successfully develop the Hatay and Konya licences in Turkey

## Key performance indicators

The key performance indicators in measuring success or failure of the Company include the raising of funding for the Company, share price performance, the drilling of successful wells by ARAR and the effective development of those successes

## Results

The loss for the year amounted to £774,438 (2010 £895,201) This loss includes £208,764 (2010 £40,522) in respect of share based payments The Directors have not recommended a dividend

## Taxation status

The Company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year

## Creditor amount policy

The Company's current policy concerning the payment of trade creditors is to

(a) settle the terms of payment with suppliers when agreeing the terms of each transaction,

(b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and

(c) pay in accordance with the Company's contractual and other legal obligations

Trade creditors at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end creditors is not meaningful

# Directors' Report
continued

## Principal risks and uncertainties

The Company is subject to a variety of risks including those which derive from the nature of the gas exploration and development business and relate to the country in which it conducts its activities Outlined below is a description of the principal risks that may affect the Company's performance and financial position Such risks are not intended to be presented in any order of priority Any of the risks, as well as the other risks and uncertainties referred to in this report, could have a material adverse effect on business performance and financial position In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Company, or which the Company currently deems immaterial, may arise or become material in the future It is the Board's objective to be aware of the risks and evaluate and mitigate them where possible

The Board believes that the principal risk categories for the Company in respect of its convertible loans to Oman Resources and in its investment in ARAR are

- that Oman Resources will not meet its repayments terms by 30 December 2011,
- the Company will be unable to realise the carrying value of its investment in ARAR or in Oman Resources (if under the terms of the convertible loans, it assumes full control of Oman Resources),
- that Oman Resources and ARAR are unsuccessful in discovering oil and gas reserves, and
- the Company, together with ARAR, are unable to develop such reserves due to insufficient funds or other such factors that might prevent development to commercial production

## Risks associated with the convertible loans issued to Oman Resources

At 30 June 2011, Oman Resources had been issued with loans in the amount of £18,610,000 as set out in Note 12 to these financial statements These loans are repayable on 30 December 2011 unless converted into ordinary shares in Oman Resources equivalent to 35 7% of its current issued share capital on the occurrence of any of the following events (a) Oman Resources completes a fundraising of US$10m or more by way of issue of shares or (b) Oman Resources's shares are listed on AIM or on a recognised investment exchange or (c) Oman Resources is acquired and such acquisition constitutes a reverse takeover for the purposes of the AIM Rules, then the loans will automatically convert into ordinary shares in Oman Resources Otherwise, the conversion is at the sole option and discretion of the Company and can be made at any time up to the repayment date (though all loans must be converted at the same time) The loans bear interest at three per cent per annum compounded each month until the repayment date

The principal risk associated with these loans is that Oman Resources is not able to repay the loan on the repayment date The conversion option mitigates the risk of Oman Resources being unable to repay the loan If the loan is not repaid or converted by 30 December 2011 then Niche Group would exercise its security and take control of Oman Resources and continue to participate in the arrangements with ARAR, except that Niche which currently has conversion rights to an interest in 35 7% in Oman Resources would end up with 100% of Oman Resources which has a 50% interest in the Konya and Hatay block licences

The 100% ownership of Oman Resources would under the AIM Class Test Rules constitute a reverse acquisition and necessitates the enlarged group re-applying for admission to AIM If the 100% acquisition of Oman Resources takes place, then the directors of Niche Group will appoint directors with the sufficient experience to run the enlarged group If Oman Resources has additional funding responsibilities in respect of the exploration licences in which it has a participating interest with ARAR, it would be the Company's intention to raise additional funds within the market If the Company is unable to raise sufficient funds to meet any future obligations in respect of these licences, then the Company could look to sell its interest in Oman Resources in order to realise the carrying value of its investment

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# Directors' Report

continued

## Risks associated with the investment in ARAR

During the year, the Company acquired a direct investment of 5% of the equity of ARAR for £8 million This provided the Company with a direct interest in the Hatay and Konya licences as well as a direct interest in 17 other licences held by ARAR The CPR issued by Senergy provides a potential Net Present Value of $US583 4M net to each of ARAR and Oman Resources, which consists of $140 9M net attributable reserves (Proved and Probable), $135 3M net Un-risked Contingent Resources and $307 2M Un-risked Contingent Resources This net present value assumes significant capital expenditure and is based on a number of other assumptions The value of the remaining licences has not yet been determined and could be expected to improve further the value of the Company's interest in ARAR The risk associated with this investment is that ARAR does not have sufficient funds to meet its obligations under the licences In these circumstances we would expect that ARAR would sell or farm-out these licences, which could dilute the Company's existing holding in ARAR

## Diversification of investments

Currently, the Company's material assets are in Oman Resources which currently has a 50% participating interest in gas exploration licences, Blocks 4394, 4395 and 4396 in Hatay and Block 4077 in Konya, Turkey Oman Resources has entered into Farm In Agreements and Joint Operating Agreements with ARAR, the Turkish operator for the exploitation of these blocks Turkey is a stable, peaceful, democratic and secular country in a region full of conflicts Further, Turkey offers what is considered very attractive fiscal terms for oil & gas producers with private sector foreign ownership unrestricted, corporate taxation of only 20% and a resource offtake royalty of only 12 5% Participation in Blocks 4394, 4395 and 4396 reflect a broader geographical focus, helping mitigate the risks presented by a lack of diversification in the previous financial year

The Company intends to continue to mitigate this risk by raising additional funds to develop a diversified portfolio of investments in the oil and gas industry

## Exploration risk – development of gas assets

Inherent in gas exploration and production are risks associated with estimating the extent of the resource base and with the production profile of a field In addition the cost of development may often vary significantly from expectation due to unexpected technical, engineering or regulatory considerations or cost escalation

The Independent Evaluation of Hydrocarbons ("CPR") across the Hatay Blocks AR/ARR/4394, AR/ARR/4395, and AR/ARR/4396 and Konya AR/ARR/4077, undertaken by Senergy (GB) Limited ("Senergy") in October 2011, analysed best estimate Gross Recoverable reserves, and Contingent and Prospective Resources The report indicates that there are 46 5 bcf of 2P Reserves net 50% to Oman Resources attributable to licence AR/ARR/4396, 63 4 bcf of best estimate Prospective Resources net 50% to Oman Resources attributable to licences AR/ARR/4394 and AR/ARR/4395, and 64 1 bcf of Prospective Resources and 70 4 bcf of Contingent Resources net 50% to Oman Resources attributable to AR/ARR/Konya 4077

The Company manages such risks by ensuring that Oman Resources and the Operator have employed suitably qualified staff with extensive experience in developments similar to those being undertaken and that Oman Resources carries out independent reviews as required to support the Operator's technical assessment Oman Resources management have an excellent track record of building oil and gas exploration and production companies In addition, the Company has engaged Senergy (GB) Limited, a firm specialising in the independent evaluation of hydrocarbon assets to assist in the appraisal and assessment of the work programme and resource estimates

The operation of gas production facilities also carries the risk of technical malfunctioning and hazards associated with flammable products ARAR, the operator, currently hold insurance that covers damages to 3rd parties

# Directors' Report
continued

## Cash flow and funding

The Company currently uses equity financing to fund its investments and fund administrative expenses The continued ability to access capital to finance activities (from equity, debt or industry funding) is impacted by the prevailing capital markets and macro-economic environment in which the Company operates and can be subject to uncertainty However, throughout the year, the Company has been successful in continuing to access capital markets, raising finance through the issuance of equity on AIM

At present the Company has funded the initial phase of exploration and development of the Hatay and Konya Blocks Block 4077 field in Turkey and expects that investment to contribute cash to the Company only once commercial production of gas commences following a successful discovery, and once sufficient funds have been raised in order to continue discovery and development of other resources within those blocks Should such funds not become available the Company may not be able to recover the carrying value of its investment and financial assets

Oman Resources is responsible for continuous budgetary control through the use of Authorisation for Expenditure (AFE)

## Oil and gas prices

The Company's asset value and the economic viability of its investment in Oman Resources depend also on the price of oil and gas Furthermore, Niche Group's ability to raise capital in the future is likely to be sensitive to the price of oil and gas

## Human resources

Oman Resources and ARAR are reliant on a small team of experienced oil and gas professionals for their success and is more than usually vulnerable to the adverse effects of losing key personnel The Company and Oman Resources are currently seeking to strengthen their teams

## Environmental risks

Niche Group's investments are subject to the environmental risks inherent in the oil and gas industry

## Country risk

The Company, Oman Resources and the Operator's operations are exposed to political, economic, legal, regulatory and social risks of the countries in which they operate or in which they have interests

## Financial risk

The Company is exposed to financial risk through its financial assets and liabilities The key financial risk is that the proceeds from financial assets may not be sufficient to fund the obligations arising from liabilities as they fall due The most important component of financial risk is liquidity risk This risk is mitigated by the routine monitoring of key management information

# Directors' Report

continued

## Credit risk

In the normal course of its business, the Company enters into contractual arrangements with third parties that subject the Company to the risk that such parties may default on their obligations Hence, the Company may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, suppliers and other parties In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its future cash flow from operations

The Company's cash balances are deposited with banks with high credit ratings

## Market risk

The Company's revenues, profitability and future growth are substantially dependent on prevailing prices of oil and natural gas The Company's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and natural gas prices Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Company

## Corporate governance statement

The Directors recognise the importance of sound corporate governance and observe the principles of the Combined Code, to the extent that they consider them to be appropriate for the Company's size

### The Board of Directors

The Board currently comprise an Executive Chairman (Stuart Thomas), two further Executive Directors (Rakesh Patel and Donal Boylan) and one Non-Executive Director (Chris Weafer) The Board considers that Chris Weafer meets the criteria for independence included in the AIM Best Practice Recommendations and that he is independent of management and free from any business or other relationships which could materially interfere with the exercise of his independent judgement

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors If the Chairman is unable or unwilling to give approval, Board approval will be sufficient Newly appointed Directors are made aware of their responsibilities through the Chairman The Company does not make any provision for the formal training of new Directors

### Board meetings

The Board meets on average every month Decisions concerning the direction and control of the business are made by the Board, and a formal schedule of matters specifically reserved for the Board is in place

Generally, the powers and obligations of the Board are governed by the UK Companies Act 2006, and the other laws of the jurisdictions in which it operates The Board is responsible, inter alia, for setting and monitoring Company strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders

# Directors' Report

continued

### Audit, Remuneration and Nominations committees

The Directors do not consider that, given the size of the Board and having only one non-executive director, it is appropriate at this stage to have audit, remuneration and nominations committees Nevertheless, the Board remains committed to establishing such committees at an appropriate time and this will be kept under regular review by the Board

### Relations with shareholders

Investors are encouraged to participate in the Annual General Meeting and are regularly advised of any significant developments in the Company The Company is pleased to meet with any significant institutional shareholders, fund managers and analysts as part of an active investor relations programme to discuss long term issues and obtain feedback

### Internal financial control

The Board is responsible for establishing and maintaining the Company's system of internal financial controls Internal financial control systems are designed to meet the particular needs of the Company and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Company Due to the relatively small size of the Company's operations, the Directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Company

### Managing business risk

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company Duties in relation to risk management that are conducted by the Directors include but are not limited to,

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels
- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate
- Inform investors of material changes to the Company's risk profile

## Going concern

Having made reasonable enquiries, the Directors are satisfied that the current cash balance is sufficient to cover all known financial liabilities for the next 12 months from the date of approval of the financial statements The Directors have considered the guidance for directors issued by the Financial Reporting Council ("FRC") in respect of going concern The Directors therefore confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

NICHE GROUP

# Directors' Report

continued

## Directors and Directors' interests

The Directors at the date of these financial statements who served during the year and their interest in the ordinary shares of the Company are as follows

| | Number of Ordinary Shares |
|---|---|
| S J Thomas (appointed 9 November 2011) | 29,851,903* |
| R Patel | 1,000,000 |
| D Boylan | – |
| C Weafer (appointed 1 September 2011) | – |
| N Little (appointed 8 February 2011, resigned 28 November 2011) | 333,333 |
| C Stainforth (resigned 8 February 2011) | 1,166,650 |

*Stuart Thomas is beneficially interested in a total of 29,851,903 ordinary shares of 1p each ("Ordinary Shares"), representing approximately 4 32% of the Company's issued share capital Of this total, 7,232,857 Ordinary Shares are held personally and 22,619,046 Ordinary Shares are held by Spring Capital Limited, a company of which Stuart is a director and a majority shareholder

Details of remuneration and interests in share options of the Directors of the Company who served in the year ended 30 June 2011 are as follows

| **Share Options** | **Number of options** | **Exercise price** | **Date of grant** | **First date of exercise** | **Final date of exercise** |
|---|---|---|---|---|---|
| Nigel Little | 6,000,000 | 7p | 03 05 2011 | 03 05 2011 | 02 05 2021 |
| | 12,000,000 | 7p | 03 05 2011 | Subject to market conditions | 02 05 2021 |
| Rakesh Patel | 6,000,000 | 7p | 03 05 2011 | 15 02 2012 | 02 05 2021 |
| | 1,000,000 | 5p | 20 05 2010 | 18 06 2010 | n/a |
| Donal Boylan | 6,000,000 | 7p | 03 05 2011 | 15 02 2012 | 02 05 2021 |
| Christopher Stainforth | 1,000,000 | 5p | 20 05 2010 | 18 06 2010 | n/a |

| **Remuneration** | **Fees & other remuneration** | **Loss of office** | **Taxable benefits** | **Pension contribution** | **2011 Total** | **2010 Total** |
|---|---|---|---|---|---|---|
| Nigel Little | 48,055 | – | – | – | 48,055 | – |
| Rakesh Patel | 73,512 | – | – | – | 73,512 | 27,417 |
| Donal Boylan | 31,667 | – | – | – | 31,667 | – |
| Christopher Stainforth | 11,373 | 93,736 | – | – | 105,109 | 23,333 |
| Ron Stirling | – | – | – | – | – | 13,700 |
| | 164,607 | 93,736 | – | – | 258,343 | 64,450 |

# Directors' Report

continued

## Major interests in ordinary shares

The following shareholders have an interest of more than 3% in the Company as at 28 November 2011

| Shareholder | Number of Shares | % of issued share capital |
|---|---|---|
| JIM Nominees Limited | 46,106,640 | 6 67 |
| Corporate Services (TD Waterhouse) | 46,139,356 | 6 67 |
| Lynchwood Nominees Limited | 45,545,000 | 6 59 |
| Darlington Portfolio Nominees Limited | 36,029,650 | 5 21 |
| Securities Services Nominees Limited | 34,571,430 | 5 00 |
| WB Nominees Limited | 25,129,847 | 3 63 |
| Pershing Nominees Limited | 21,964,006 | 3 18 |

## Share capital

Details of Ordinary Share capital during the year are set out in note 15

## Financial instruments

Details of the use of financial instruments by the Company are contained in note 18

## Donations

There were no charitable or political donations during the current or prior year

## Disclosure of information to auditors

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information

## Auditors

A resolution proposing the reappointment of HW Fisher & Company as auditors will be put to the members

On behalf of the board

**D Boylan**
Director

5 December 2011

# Statement of Directors' Responsibilities

for the year ended 30 June 2011

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under the law the directors have prepared financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the income statement of the company for that year The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market

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 they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions The maintenance and integrity of the Company's website is the responsibility of the directors The director's responsibility also extends to the ongoing integrity of the financial statements contained therein

NICHE GROUP

# Independent Auditors' Report

**to the shareholders of The Niche Group plc**

for the year ended 30 June 2011

We have audited the financial statements of The Niche Group plc for the year 30 June 2011 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union

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

## Respective responsibilities of directors and auditors

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report

## Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

# Independent Auditors' Report

continued

## Emphasis of matter

Without modifying our opinion on the financial statements, we draw your attention to Note 1 1 of the financial statements concerning the valuation of investments and the ability of Oman Resources to repay the loans by the due date

The loans receivable from Oman Resources of £18,610,000 have a maturity date of 30 December 2011 Should Oman Resources not meet the repayment terms, under the default provisions of the loan, the Company will exercise its securities allowing it to assume complete control of Oman Resources and its 50% interest in the joint venture with ARAR The realisation of the carrying value of that investment, and that of the Company's direct investment in ARAR of £8,000,000, is dependent on the successful discovery and development of oil and gas reserves, including the ability of the Company and ARAR to raise sufficient funds to develop such reserves Based on the information available to them, the Directors consider that the carrying amount of these assets is fully recoverable These conditions, along with other matters explained in the financial statements, indicate the existence of a material uncertainty which may cast doubt on the carrying value of these assets The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot at present be determined

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared are 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

Under the Companies Act 2006 we are required to report to you, if in our opinion

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

**C J Hazard** (Senior Statutory Auditor)

For and on behalf of
**HW Fisher & Company**
Chartered Accountants
Statutory Auditor

Acre House
11-15 William Road
London NW1 3ER
United Kingdom

5 December 2011

NICHE GROUP

# Statement of Comprehensive Income

for the year ended 30 June 2011

| | Note | Year ended 30 June 2011 £ | Year ended 30 June 2010 £ |
|---|---|---|---|
| Administrative expenses | | (833,792) | (205,113) |
| Share based payments | 19 | (208,764) | (40,522) |
| **Operating loss** | 4 | (1,042,556) | (245,635) |
| Gain/(loss) on disposal of available for sale investment | | 24,696 | (324,557) |
| Transfer to income statement of fair value reserve relating to impaired assets | | (18,877) | (19,318) |
| Costs relating to aborted acquisition | | – | (202,480) |
| Finance income | 6 | 262,299 | 17,100 |
| Finance costs | 7 | – | (120,311) |
| **Loss on ordinary activities before taxation** | | (774,438) | (895,201) |
| Tax on loss on ordinary activities | 9 | – | – |
| **Loss for the year** | | (774,438) | (895,201) |
| Fair value adjustment on available for sale investments | | 54,600 | (3,682) |
| **Total comprehensive loss for the year** | | (719,838) | (898,883) |
| **Loss per share** (pence) | | | |
| – Basic and diluted | 10 | (0 19) | (0 50) |

All operating income and operating gains and losses relate to continuing activities

The notes on pages 21 to 32 form an integral part of the financial statements

NICHE GROUP

# Statement of Changes in Equity

for the year ended 30 June 2011

| | Share capital £ | Share premium £ | Share based payments reserve £ | Fair value reserves £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|---|
| **As at 1 July 2009** | 1,029,515 | 110,026 | – | (41,113) | (992,427) | 106,001 |
| Total comprehensive loss for the year | – | – | – | (3,682) | (895,201) | (898,883) |
| Transfer to income statement of fair value reserve relating to impaired assets | – | – | – | 19,318 | – | 19,318 |
| Share based payment | – | – | 40,522 | – | – | 40,522 |
| Issue of share capital | 1,804,432 | 4,348,000 | – | – | – | 6,152,432 |
| Costs associated with issue of shares | – | (320,411) | – | – | – | (320,411) |
| **As at 1 July 2010** | 2,833,947 | 4,137,615 | 40,522 | (25,477) | (1,887,628) | 5,098,979 |
| Total comprehensive gain/(loss) for the year | – | – | – | 54,600 | (774,438) | (719,838) |
| Transfer to income statement of fair value reserve relating to impaired assets | – | – | – | 18,877 | – | 18,877 |
| Share based payment | – | – | 208,764 | – | – | 208,764 |
| Issue of share capital | 4,081,558 | 22,235,652 | – | – | – | 26,317,210 |
| Costs associated with issue of shares | – | (2,243,934) | – | – | – | (2,243,934) |
| **As at 30 June 2011** | 6,915,505 | 24,129,333 | 249,286 | 48,000 | (2,662,066) | 28,680,058 |

The Share Capital represents the nominal value of the equity shares

The Share Premium represents the amount subscribed for share capital, in excess of the nominal amount, less costs directly relating to the issue of shares

The Fair Value Reserve represents the fair value movement of available for sale financial assets

The Share Based Payments reserve represents the fair value of the equity settled share option scheme

The Retained Earnings reserve represents the cumulative net gains and losses less distributions made

The notes on pages 21 to 32 form an integral part of the financial statements

Reg No: 4006413

NICHE GROUP

# Statement of Financial Position

as at 30 June 2011

| | Note | As at 30 June 2011 £ | As at 30 June 2010 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments – available for sale | 11 | 8,063,001 | 20,727 |
| Financial assets – loans and receivables | 12 | – | 4,950,000 |
| | | 8,063,001 | 4,970,727 |
| **Current assets** | | | |
| Financial assets – loans and receivables | 12 | 18,610,000 | – |
| Trade and other receivables | 13 | 294,976 | 23,687 |
| Cash and cash equivalents | 17 | 1,877,713 | 270,129 |
| | | 20,782,689 | 293,816 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | (165,632) | (165,564) |
| **Net current assets** | | 20,617,057 | 128,252 |
| **NET ASSETS** | | 28,680,058 | 5,098,979 |
| **SHAREHOLDERS' EQUITY** | | | |
| Called up share capital | 15 | 6,915,505 | 2,833,947 |
| Share premium account | | 24,129,333 | 4,137,615 |
| Fair value reserves | | 48,000 | (25,477) |
| Share based payments reserve | | 249,286 | 40,522 |
| Retained earnings | | (2,662,066) | (1,887,628) |
| **TOTAL EQUITY** | | 28,680,058 | 5,098,979 |

The financial statements were approved by the board of directors and authorised for issue on 5 December 2011 and signed on its behalf by

**R Patel**
Director

Company number 4006413

The notes on pages 21 to 32 form an integral part of the financial statements

NICHE GROUP

# Statement of Cash Flows

for the year ended 30 June 2011

| | Note | Year ended 30 June 2011 £ | Year ended 30 June 2010 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash expended from operations | 16 | (842,716) | (79,443) |
| Net cash outflow from operating activities | | (842,716) | (79,443) |
| **Cash flows from investing activities** | | | |
| Available for sale financial assets acquired | | (8,000,000) | - |
| Loans and receivables financial assets acquired | | (13,660,000) | (4,950,000) |
| Proceeds from sale of available for sale investments | | 37,022 | 188,000 |
| Costs relating to aborted acquisition | | - | (202,480) |
| Net cash used in investing activities | | (21,622,978) | (4,964,480) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of ordinary shares | | 26,317,212 | 5,537,951 |
| Proceeds from loans | | - | 31,613 |
| Costs of issue of shares | | (2,243,934) | (320,411) |
| Net cash inflow from financing activities | | 24,073,278 | 5,249,153 |
| **Net increase in cash and cash equivalents** | | 1,607,584 | 205,230 |
| Cash and cash equivalents at the beginning of year | | 270,129 | 64,899 |
| **Cash and cash equivalents at end of year** | 17 | 1,877,713 | 270,129 |

The notes on pages 21 to 32 form an integral part of the financial statements

# Notes to the Financial Statements

for the year ended 30 June 2011

## 1 Accounting policies

### 1 1 Basis of preparation

The principal activity of the Company is the investment in gas exploration, development and production companies, initially in Turkey

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The financial statements have been prepared under the historical cost convention or fair value where appropriate The significant accounting policies adopted are described below

The carrying value of both the convertible loans to Oman Resources amounting to £18,610,000 and the Company's 5% investment in ARAR of £8,000,000 are included at fair value, which the Directors consider not to be impaired

The Directors have reached this conclusion based upon the latest CPR which provided a potential Net Present Value of US$583 4M (£365m) net to each of Oman Resources and ARAR, which consists of $140 9M net attributable reserves (Proved and Probable), $135 3M net Un-risked Contingent resources and $307 2M Un-risked Contingent Resources, in respect of the exploration licences in which Oman Resources has a participating interest with ARAR The loans are currently convertible at the Company's option into 35 7% of Oman Resources which equates to a potential Net Present Value share of £130m Using the same rationale, the 5% direct interest in ARAR has a potential Net Present Value share of £18 25m

The principal risk associated with the loans is that Oman Resources is not able to repay the loan on the repayment date The conversion option mitigates the risk of Oman Resources being unable to repay the loan If the loan is not repaid or converted by 30 December 2011, then Niche would exercise its security and take control of Oman Resources and continue to participate in the arrangements with ARAR, except that Niche Group which currently has conversion rights to an interest in 35 7% in Oman Resources would own with 100% of Oman Resources which has a 50% interest in the Konya and Hatay block licences

We note that following uncertainties exist in respect of the carrying value of the convertible loans to Oman Resources and the Company's investment in ARAR

- the Company will be unable to realise the carrying value of its investment in ARAR or in Oman Resources (if under the terms of the convertible loans, it assumes full control of Oman Resources),
- that Oman Resources and ARAR are unsuccessful in discovering and developing oil and gas reserves, and
- the Company, together with ARAR, are unable to develop such reserves due to insuffcient funds or other factors that could affect development to commercial production

The Directors have utilised the CPR as a basis for forming an opinion on carrying values, although it is noted that this report includes key assumptions, risk and uncertainties These include

- the ability of Oman Resources and ARAR to fund the significant capital expenditure requirement,
- the underlying uncertainties that exist within the oil and gas industry,
- an estimate of resources that was based on data provided by ARAR,
- the ability of ARAR to successfully discover and develop the reserves identified, and
- the possibility of dilution of attributable Net Present Value should funds be raised from third parties

# Notes to the Financial Statements

continued

## 1 Accounting policies continued

**1 2 Sources of estimation uncertainty**

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the year Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

**Financial assets**

The main area of estimation uncertainty is in respect of the "Financial assets – loans and receivables" which relates to a convertible loan made to Oman Resources The loan is repayable on 30 December 2011 unless converted into shares in Oman Resources at the option of the Company at any time up to the repayment date The loan was made in cash on 19 May 2010 and this is considered by the Directors to be the fair value of the loan at 30 June 2011

In the event that the loan is converted, the Company will own 35 7% of the current issued share capital of Oman The investment in Oman Resources and Oman Resources investment in ARAR is supported by net present value calculations of the estimated gas reserves in Blocks 4077, 4394, 4395 and 4396 as presented in the CPR Should these estimates not be validated by successful exploration or further estimates, then the future investment in Oman Resources may need to be written down to the impaired value

If the loan is not converted by the Company at any time up to the repayment date and Oman Resources is unable to repay the loan in full or part on the repayment date, then the loan will need to be written down to the recoverable amount

On the basis that Oman Resources has fulfilled its obligations under the initial phase of its investment in ARAR, the Company is likely to convert its loan into shares in Oman Resources before the repayment date

**Share based payments**

The share-based payment charge is calculated using the Black-Scholes model which requires the estimation of share price volatility, expected life and the bid price discount

**1 3 Financial instruments**

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement

Financial instruments are recognised on the balance sheet at fair value when the Company becomes a party to the contractual provisions of the instrument

**1 4 Investments**

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at cost, including transaction costs For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement

The fair values of quoted investments are based on published market prices

# Notes to the Financial Statements

continued

## 1 Accounting policies continued

### 1 5 Financial assets – Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the end of the reporting period These are classified as non-current assets Loans receivable are carried at amortised cost The Directors assess at the end of each reporting period whether there is objective evidence that a financial asset is impaired Any impairment shall be recognised in the Statement of Comprehensive Income

### 1 6 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as interest bearing loans and borrowings in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the Income Statement Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited directly to equity

### 1 7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits They are stated at carrying value which is deemed to be fair value

### 1 8 New standards and interpretations

The IASB and IFRIC have issued the following standards and interpretations which are in issue but not in force at 30 June 2011

**International Accounting Standards (IAS/IFRS)**

IFRS 7 (revised October 2010) Financial Instruments Disclosures
IFRS 9 (issued November 2009) Financial Instruments
IFRS 10 (issued May 2011) Consolidated Financial Statements
IFRS 11 (issued May 2011) Joint Arrangements
IFRS 12 (issued May 2011) Disclosure of Interests in Other Entities
IFRS 13 (issued May 2011) Fair Value Measurement
IAS 1 (revised June 2011) Presentation of Financial Statements
IAS 12 (revised December 2010) Income Taxes
IAS 19 (amended June 2011) Employee Benefits
IAS 24 (revised November 2009) Related Party Disclosures
IAS 27 (revised May 2011) Consolidated and Separate Financial Statements
IAS 28 (revised May 2011) Investments in Associates
IAS 34 (revised May 2010) Interim Financial Reporting

**International Financial Reporting Interpretations Committee (IFRIC)**

IFRIC 13 Customer Loyalty Programmes
IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements other than in terms of presentation

# Notes to the Financial Statements

continued

## 1 Accounting policies continued

### 1 9 Share-based payment

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees or suppliers as consideration for equity instruments (options) of the Company The fair value of the employee or supplier services received in exchange for the grant of options is recognised as an expense The total amount to be expensed is determined by reference to the fair value of the options granted

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- excluding the impact of any non-vesting conditions (for example, the requirement of employees to save)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

When the options are exercised, the Company issues new shares The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

### 1 10 Taxation

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

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base

Deferred tax liabilities are offset against deferred tax assets Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity

# Notes to the Financial Statements

continued

## 2 Segmental reporting

(a) **Primary segment – business**

The Company has only one business segment, which is investing in companies, either by way of equity or convertible loans primarily in the natural resources sector

(b) **Secondary segment – geographical**

The Company's loss for the year is allocated as follows

| | 2011 £ | 2010 £ |
|---|---|---|
| United Kingdom | (774,438) | (895,201) |
| European Union | – | – |
| Loss for the year | (774,438) | (895,201) |

The Company's assets are allocated based on where the assets are located, as follows

| | 2011 £ | 2010 £ |
|---|---|---|
| United Kingdom | 2,235,690 | 297,443 |
| European Union | 18,610,000 | 4,967,100 |
| Turkey | 8,000,000 | – |
| Gross assets | 28,845,690 | 5,264,543 |

## 3 Expenses by nature

| | 2011 £ | 2010 £ |
|---|---|---|
| Staff costs | 266,676 | 64,450 |
| Other expenses | 775,880 | 181,185 |
| | 1,042,556 | 245,635 |

## 4 Operating loss

The operating loss is stated after charging

| | 2011 £ | 2010 £ |
|---|---|---|
| Auditors remuneration – audit services | 20,000 | 7,050 |

# Notes to the Financial Statements

continued

## 5 Employees

**Number of employees**

The average monthly number of employees (including Directors) during the year was

| | 2011 Number | 2010 Number |
|---|---|---|
| Administration | 4 | 2 |

| **Employment costs** | 2011 £ | 2010 £ |
|---|---|---|
| Wages and salaries | 266,676 | 64,450 |
| Social security costs | 12,041 | – |
| Share based payment expense | 136,714 | 16,594 |
| | 415,431 | 81,044 |

## 6 Finance income

| | 2011 £ | 2010 £ |
|---|---|---|
| Interest on convertible loan | 262,299 | 17,100 |

## 7 Finance costs

| | 2011 £ | 2010 £ |
|---|---|---|
| Premium on conversion of loans | – | 120,311 |

Loans amounting to £nil (2010 £31,613) were issued pursuant to a Convertible Unsecured Loan Stock Instrument There was no conversion of loans into ordinary shares of 1p each during the year (2010 15,192,400 – nominal value £151,924)

## 8 Directors' remuneration

| | 2011 £ | 2010 £ |
|---|---|---|
| Aggregate emoluments | 258,343 | 64,450 |
| Social security costs | 12,041 | – |
| | 270,384 | 64,450 |

The highest paid Director received remuneration of £107,347 During the year no retirement benefits accrued to the Directors (2010 £ nil)

NICHE
GROUP

# Notes to the Financial Statements

continued

## 9 Taxation

No corporation tax charge arises in respect of the year due to the trading losses incurred The Company has Corporation Tax losses available to carry forward and used against trading profits arising in future periods of £1,473,357 (2010 997,088 )

| | 2011 £ | 2010 £ |
|---|---|---|
| **Current tax charge** | – | – |

The tax assessed for the year differs from the standard rate of corporation as follows

| | | |
|---|---|---|
| **Factors affecting the tax charge for the period** | | |
| Loss on ordinary activities before taxation | (719,838) | (895,201) |
| Loss on ordinary activities before taxation multiplied by average standard rate of corporation tax of 27 5% (2010 standard rate of 28 0%) | (197,955) | (250,656) |
| Effects of | | |
| Non deductible expenses | 66,985 | 199,598 |
| Movement in tax losses | 130,970 | 51,058 |
| **Current tax charge** | – | – |

A deferred tax asset of £383,000 (2010 £279,000) has not been recognised due to the uncertainty regarding the availability of future profits against which the losses of the Company could be offset

It has been announced that the UK tax rate will drop a further 1% per annum over the next three years reaching 23% effective from 1 April 2014 The impact of these subsequent corporation tax rate reductions will only be reflected as the relevant legislation is substantively enacted

## 10 Loss per share

The calculation of the basic and diluted loss per share is based on the loss on ordinary activities after taxation of £774,438 (2010 £895,201) and on the weighted average number of ordinary shares of 417,678,740 (2010 180,030,320) in issue during the year The basic and diluted loss per share is 0 19p (2010 0 50p)

In order to calculate the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares according to IAS33 Dilutive potential ordinary shares include share options granted to Directors and consultants where the exercise price (adjusted according to IAS 33) is less than the average market price of the Company's ordinary shares during the year

During the year share options were issued over 49,122,861 ordinary shares of the Company at an exercise price of 7p, as described in note 19 to the accounts Currently these options do not have a material dilutive effect on loss per share but could do so in the future

# Notes to the Financial Statements

continued

## 11 Investments – available for sale

| | 2011 Listed investments £ | 2011 Unlisted investments £ | 2011 Total £ | 2010 Listed investments £ | 2010 Unlisted investments £ | 2010 Total £ |
|---|---|---|---|---|---|---|
| **Fair value** | | | | | | |
| At 1 July | 20,727 | – | 20,727 | 24,409 | 50,000 | 74,409 |
| Additions | – | 8,000,000 | 8,000,000 | – | 462,557 | 462,557 |
| Disposals | (12,326) | – | (12,326) | – | (512,557) | (512,557) |
| Net gains/(losses) transferred to equity | 54,600 | – | 54,600 | (3,682) | – | (3,682) |
| At 30 June | 63,001 | 8,000,000 | 8,063,001 | 20,727 | – | 20,727 |

The fair value of listed investments is based on their current bid prices in an active market Unlisted investments are recorded at cost less impairment Unlisted investments are instruments that do not have a quoted market price in an active market and their fair value cannot be measured reliably The range of reasonable fair value estimates is significantly wide and the probabilities of the various estimates cannot be reasonably assessed as they relate to the underlying gas reserves in blocks which are currently being explored by a third party company

At the balance sheet date, £18,877 (2010 £19,318) of losses had been transferred from equity into the income statement

During the year, the Company acquired a 5% interest in Arar Petrol ve Gaz AUPAS ("ARAR" or the "Operator"), a petroleum exploration company in Turkey, for a consideration of £8,000,000

## 12 Financial assets – loans and receivables

| | 2011 £ | 2010 £ |
|---|---|---|
| Non-current assets at 1 July | 4,950,000 | – |
| Non-current assets transferred to current assets | (4,950,000) | – |
| Non-current asset additions | – | 4,950,000 |
| Current asset additions | 13,660,000 | – |
| Current assets transferred from non-current assets | 4,950,000 | – |
| Non-current assets at 30 June | – | 4,950,000 |
| Current assets at 30 June | 18,610,000 | – |

During the year, the Company entered into a succession of convertible loan agreements (the "Loans") and provided £13,660,000 of financing to Oman Resources, over a period of 9 months The convertible loans are repayable on 30 December 2011 unless converted into ordinary shares in Oman Resources equivalent to 35 7% of its current issued share capital Where either (a) Oman Resources completes a fundraising of US$10m or more by way of issue of shares or (b) Oman Resources' shares are listed on AIM or on a recognised investment exchange or (c) Oman Resources is acquired and such acquisition constitutes a reverse takeover for the purposes of the AIM Rules, then the loans will automatically convert into ordinary shares in Oman Resources Otherwise, the conversion is at the sole option and discretion of the Company and can be made at any time up to the repayment date (though all loans must be converted at the same time) The loans bear interest at three per cent per annum compounded each month until the repayment date

The convertible loans are secured by (a) Oman Resources' assignment by way of security to the Company of Oman Resources' contractual rights under the Joint Operating Agreement and the Farm In Agreement, (b) a charge over all the shares held in Oman Resources by Sorbus Holdings S A , (c) a charge over all the shares held in Oman Resources by Ghana Oil & Gas Limited, and (d) a charge over any shares held by Oman Resources in SFA Grup Petrol ve Gaz Anonim Sirketi if Oman Resources exercises its option to acquire such shares in accordance with the Farm In Agreement

The risks associated with the recoverability of the convertible loans are included under Principal Risks and Uncertainties in the Directors' Report, in the Accounting policies – Sources of estimation uncertainty and in the basis of preparation note

NICHE GROUP

# Notes to the Financial Statements

continued

## 13 Trade and other receivables

| | 2011 £ | 2010 £ |
|---|---|---|
| Prepayments and accrued income | 294,976 | 23,687 |

## 14 Trade and other payables

| | 2011 £ | 2010 £ |
|---|---|---|
| Trade payables | 94,306 | 77,169 |
| Taxation and social security | 16,638 | 4,486 |
| Accruals and deferred income | 54,688 | 83,909 |
| | 165,632 | 165,564 |

## 15 Share capital

| | 2011 £ | 2010 £ |
|---|---|---|
| **Authorised** | | |
| 1,800,000,000 Ordinary shares of 1p each | 18,000,000 | 18,000,000 |
| **Allotted, called up and fully paid** | | |
| 691,550,530 (2010 283,394,724) ordinary shares of 1p each | 6,915,505 | 2,833,947 |

On 7 September 2010, 17,000,000 ordinary shares of 1p each were issued at 5p per share for cash

On 26 January 2011, 183,333,333 ordinary shares of 1p each were issued at 6p per share for cash

On 28 February 2011, 8,036,546 ordinary shares of 1p each were issued at 6p per share in satisfaction of commission and costs in respect of the placing Included in this issue were 1,166,650 ordinary shares issued to C Stainforth, a former director of the Company, as settlement of amounts due to him

On 21 April 2011 199,785,927 ordinary shares of 1p each were issued at 7p per share for cash

## 16 Reconciliation of operating loss to net cash outflow from operating activities

| | 2011 £ | 2010 £ |
|---|---|---|
| Operating loss | (1,042,556) | (245,635) |
| Share based payments | 208,764 | 40,522 |
| (Decrease)/increase in debtors | (8,992) | 2,323 |
| Increase in creditors within one year | 68 | 123,347 |
| Net cash outflow from operating activities | (842,716) | (79,443) |

# Notes to the Financial Statements

continued

## 17 Cash and cash equivalents

| | 2011 £ | 2010 £ |
|---|---|---|
| Cash at bank and in hand | 1,877,713 | 270,129 |

The fair value of cash and cash equivalents at 30 June 2011 was £1,877,713 (2010 £270,129)

The principal non-cash transaction is the accrued income relating to the convertible loans

## 18 Financial instruments

The Company's financial instruments comprise cash and cash equivalents and various other items, such as available for sale investments and financial assets, trade receivables and payables, which arise directly from its operations It is, and has been throughout the period under review, the Company's policy to ensure that there is no trading in financial instruments The main purpose of these financial instruments is to finance the Company's operations In addition, the Company has financial assets in the form of convertible loans issued

| **Categories of Financial Instruments** | 2011 £ | 2010 £ |
|---|---|---|
| **Financial Assets** | | |
| Investments available for sale at fair value | 8,063,001 | 20,727 |
| Loans and receivables | 18,610,000 | 4,950,000 |
| Cash and cash equivalents | 1,877,713 | 270,129 |
| Trade and other receivables | 294,976 | 23,687 |
| | 28,845,690 | 5,264,543 |
| **Financial Liabilities** | | |
| Trade and other payables | 165,632 | 165,564 |
| **Net Assets** | 28,680,058 | 5,098,979 |

**Financial Assets and Liabilities**

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument

**Financial Risk Factors**

The Company's activities expose it to mainly liquidity risk The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to recover its financial assets, in particular the loan receivable The Company regularly monitors the activities of Oman Resources and reviews key management information on a regular basis

The Company currently finances its operations from cash reserves funded from share issues Management's objectives are to retain sufficient liquid funds to enable them to meet their day-to-day obligations as they fall due whilst maximising returns on surplus funds

The Company has no borrowing facilities that require repayment and therefore have no interest rate risk exposure

# Notes to the Financial Statements

continued

## 18 Financial instruments continued

**Fair Values of Financial Assets and Liabilities**

The Directors consider that the fair value of the Company's financial assets and liabilities are not considered to be materially different from their book values

The convertible loans included under Financial Assets are repayable on 30 December 2011 unless converted into ordinary shares in Oman Resources equivalent to 35 7% of its issued share capital The conversion is at the sole option and discretion of the Company and can be made at any time up to the repayment date The loan bears interest at three per cent per annum compounded each month until the repayment date or conversion

The convertible loans are secured by (a) Oman Resources' assignment by way of security to the Company of Oman Resources' contractual rights under the Joint Operating Agreement and the Farm In Agreement, (b) a charge over all the shares held in Oman Resources by Sorbus Holdings S A , (c) a charge over all the shares held in Oman Resources by Ghana Oil & Gas Limited, and (d) a charge over any shares held by Oman Resources in SFA Grup Petrol ve Gaz Anonim Sirketi if Oman Resources exercises its option to acquire such shares in accordance with the Farm In Agreement

The risks associated with the recoverability of the convertible loans are included under Principal Risks and Uncertainties in the Directors' Report and in the Accounting policies – Sources of estimation uncertainty

## 19 Share options

The following share options have been granted by the Company

| Date of grant | Number of ordinary shares under option | Exercise price | Exercise period |
|---|---|---|---|
| 18/06/2010 | 2,000,000 | 5p | 18/06/2010 – no expiry |
| 18/06/2010 | 2,883,947 | 5p | 18/06/2010 – 17/06/2015 |
| 21/04/2011 | 1,122,861 | 7p | 21/04/11 – 27/10/2012 |
| 04/05/2011 | 30,000,000 | 7p | 15/02/2012 – 02/05/2021 |
| 04/05/2011 | 12,000,000 | | Subject to conditions and exercisable up to 02/05/2021 |
| 04/05/2011 | 6,000,000 | 7p | 04/05/2011 – 02/05/2021 |

The fair value of equity settled share options granted is estimated at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted The following table lists the inputs to the model

| | | |
|---|---|---|
| Date of grant | 04 May 2011 | 21 April 2011 |
| Expected volatility | 54% | 54% |
| Expected life | 3 5 years | 3 5 years |
| Risk-free interest rate | 1 72% | 1 89% |
| Expected dividend yield | – | – |
| Possibility of ceasing employment before vesting | – | – |
| Fair value per option | 0 014p | 0 015p |

The expense recognised by the Company for share based payments during the year ended 30 June 2011 was £208,764 (2010 £40,522)

The average volatility is used in determining the share based payment expense to be recognised in the year This was calculated by reference to the standard deviation of the share price over the 12 months preceding the year ended 30 June 2011

NICHE GROUP

# Notes to the Financial Statements

continued

## 19 Share options continued

Movement in the number of options outstanding and their related weighted average exercise price are as follows

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Number of Options and Warrants | Weighted average exercise price per share (pence) | Number of Options and Warrants | Weighted average exercise price per share (pence) |
| At 1 July | 4,883,947 | 0 05 | – | – |
| Granted | 49,122,861 | 0 07 | 4,883,947 | 0 05 |
| Forfeited | – | – | – | – |
| Exercised | – | – | – | – |
| Expired | – | – | – | – |
| At 30 June | 54,006,808 | 0 07 | 4,883,947 | 0 05 |

## 20 Related party transactions

Adler Shine LLP, a firm in which R Patel is a partner, invoiced the Company £73,512 (2010 £27,417) in respect of Director's fees At the year end an amount of £12,700 (2010 £2,252) was included in trade payables and £nil (2010 £25,996) was included in accruals and deferred income in respect of Director's fees Adler Shine LLP invoiced the Company £21,363 for the provision of bookkeeping and accountancy fees during the year (2010 £nil) At the year end an amount of £2,700 (2010 £nil) was included in trade payables in respect of bookkeeping and accountancy fees The above transactions were on a commercial arms length basis

## 21 Ultimate controlling party

The Company considers that there is no ultimate controlling party

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of The Niche Group plc (the "Company") will be held at the offices of Daniel Stewart & Company Plc, Beckett House, 36 Old Jewry, London EC2R 8DD at 11 30 am on 28 December 2011 for the following purposes

## Ordinary Business

To consider and, if thought fit, to pass the following as ordinary resolutions

1 To receive and adopt the report of the directors and the financial statements of the Company for the year ended 30 June 2011 together with the report of the auditors

2 To approve the reappointment of HW Fisher and Company as auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next general meeting at which the accounts are to be laid and to authorise the directors to fix their remuneration

3 To re-elect Donal Boylan, who retires by rotation in accordance with article 108 of the Company's Articles of Association, as a director of the company

4 To approve the appointment of, and to re-elect Chris Weafer as a director of the Company

5 To approve the appointment of, and to re-elect Stuart Thomas as a director of the Company

6 That the directors of the Company (the "Directors") be, and they are hereby, generally and unconditionally authorised under section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal value not exceeding £10,000,000 and provided that such authority shall expire at the end of the next annual general meeting of the Company save that the Company may, before such expiry, make an offer or agreement which would, or might, require shares in the Company to be allotted or Rights to be granted after such expiry and the Directors may allot shares in the Company or grant Rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired

## Special Business

To consider and, if thought fit, to pass the following as a special resolution

7 THAT, subject to the passing of resolution 6, the Directors be, and they are hereby, empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) under the authority conferred by resolution 6 for cash as if section 561(1) of the Act did not apply to any such allotments, provided that this power shall be limited to the allotment to any person or persons of equity securities up to an aggregate nominal value not exceeding £10,000,000 and provided that such power shall expire at the end of the next annual general meeting of the Company save that the Company may

# Notice of Annual General Meeting

continued

before such expiry make an offer or agreement which would or may require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired and provided also that the authority and power hereby conferred shall be in substitution for any previous authority conferred prior to the date of passing this Resolution

By Order of the Board

**Kitwell Consultants Limited**
Company Secretary

Registered Office
Aston House
Cornwall Avenue
London N3 1LF

5 December 2011

**Notes**

1 Only holders of ordinary shares, or their duly appointed representatives, are entitled to attend, vote and speak at the meeting

2 A member entitled to attend, speak and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him A proxy need not also be a member of the Company You may appoint more than one proxy provided each proxy is appointed to exercise rights attaching to different shares

3 A reply paid form of proxy is enclosed To be valid forms of proxy must be deposited at the Company's registrars, Capita Registrars, The Registry, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the meeting or any adjournment thereof Completion of the proxy does not preclude members from subsequently attending and voting at the meeting in person if they should so wish

4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Register of Members of the Company as at the close of business on the day which is two days before the date of the meeting (or, if the meeting is adjourned, those members registered on the Register of Members of the Company as at the close of business on the day which is two days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time Subsequent changes to entries on the register after this time shall be disregarded in determining the rights of any persons to attend or vote at the meeting

5 In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the first named on the Register of Members of the Company will be accepted to the exclusion of other joint holders

6 In the case of a corporation, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation

# Shareholder Notes

# Shareholder Notes



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