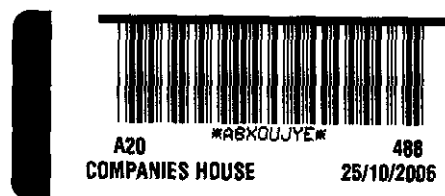


Minoan Group Plc
Report and Financial Statements
Year ended 31 March 2006

Company registration no: 3770602



Minoan Group Plc
Report and Financial Statements
Year ended 31 March 2006

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Minoan Group Plc

Directors and Advisers

Directors

C W Egleton FCA (Chairman)
B D Bartman BSc (Econ), FCA (Appointed 29 March 2006)
G T Brown FCIOB, FRSA (Appointed 28 June 2005)
W C Cole FCA
G D Cook MA, ACA (Appointed 10 January 2006)
T R C Hill B.Arch., RIBA
A D T Marshall
D C Wilson (Appointed 29 March 2006)
C W Young LLB, CA

Secretary

W C Cole FCA

Registered office

30 Aylesbury Street
London
EC1R 0ER

Bankers

HSBC Bank plc, London

Legal Advisers

Roussos & Hatzidimitriou, Athens
Dryllerakis & Associates, Athens
Pinsent Masons, London

Brokers and Corporate Advisers

JM Finn & Co, London

Registrars

Capita Registrars, Beckenham

Auditors

PricewaterhouseCoopers LLP, Edinburgh

Minoan Group Plc

Chairman's Statement

Introduction

The period since my last statement has seen major advances for the Company's Project at Cavo Sidero in north eastern Crete. The Environmental Impact Study ("EIS") is in the final stages of the approval process and, with the considerable and continuing support of the Greek Government and local authorities, I am confident that we will be able to start construction preparation work in 2006. To this end, we have strengthened our Board so that it has all the relevant financial, development and leisure industry experience to make the Project a success.

With a strong Board, national and local governmental support, and with agreements in place with major operators of hotels and other facilities, I am satisfied with the direction the Company is taking. I look forward to making further announcements in the near future.

The Cavo Sidero Project

You will already know that the planning for the Cavo Sidero Project has taken a great deal of time and involved considerable effort, the Company having had to surmount many obstacles to gain all the approvals necessary to advance the development. The EIS is the final major hurdle and I am confident that the Government's approval will be forthcoming in the near future. In line with approvals received previously, on which no appeals were lodged, the EIS approval will be, as is the case in the UK and most of the EU, subject to an appeals procedure.

The completion of the EIS was itself a major feat and I stress that this was no ordinary document. It was completed by the Company in conjunction with some of the foremost UK and Greek environmental and legal consultants and, in total, amounted to approximately 3,000 pages. It was critical that it covered every aspect of the Project and its possible impact on the environment as well as conveying our commitment to the scheme and our strategy of retaining the beauty of this unique area. The document outlines our comprehensive plan for regeneration and sustainability, which reinforces and underpins the key elements of environmental and cultural heritage essential for the long term commercial prospects of the Project.

Earlier in the year, as part of the evaluation process, we received notification that the Prefectural Council of Lasithi, the relevant County Council, voted unanimously in favour of the scheme. This followed a 9 to 1 vote in favour of the scheme by the Council of the Municipality of Itanos, the local Borough Council. This is in addition to the public support given by the Greek Government, which has included Cavo Sidero as one of the nine development projects in Greece to be fast tracked as part of its policy of increasing Foreign Direct Investment in Greece.

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Chairman's Statement (continued)

Commercial

As you are aware, a number of agreements have been signed to ensure the commercial success of the resort. Negotiations are also underway with operators of other hotels and facilities, as well as with potential joint venture partners.

As implementation of the Project approaches, Premier Resorts Limited is formalising a register of the considerable number of persons who have already expressed an interest in acquiring a property at Cavo Sidero. Premier Resorts has also started to contact shareholders who qualify for discounts under the rules of the Company's Shareholder Loyalty Scheme in order to ascertain whether they wish to be included in this register. To date a very encouraging response has been received.

Sitia International Airport

Sitia airport, just 25 minutes away from the resort, is already a fully operational international status airport and is soon to undergo a facelift with the construction of new terminal buildings. These are expected to be ready for the start of operation of our resort.

Strengthening our management base

Since my last Chairman's Statement three new directors have been appointed in accordance with the Company's stated intention to strengthen the Board at the appropriate time.

In January this year Grahame Cook was appointed a non-executive director. Grahame was Global Head of Equity Advisory Group at UBS before becoming Chief Executive of WestLB Panmure. His extensive knowledge of the investor and financial communities is already proving invaluable.

In March we appointed two new directors, Barry Bartman as Finance Director and Duncan Wilson as a non-executive director. Barry, a specialist in corporate finance and business strategy, previously held a number of directorships and consultancy positions with companies engaged in a range of activities, including leisure. Duncan is a travel professional with over 25 years experience and an in-depth knowledge of the leisure industry. He was a main board director of My Travel plc and, prior to that, Chief Executive Officer of Direct Holidays.

The knowledge and experience of the new directors, combined with the expertise of the existing directors, place the Company in a strong position to generate real value for shareholders.

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Chairman's Statement (continued)

Financial Results

At 31 March 2006 the book value of the Cavo Sidero Project was £24,811,462 (£21,281,601 - 2005). The nature of the Company's business means that certain expenses, although attributable to the Project in overall terms, have to be written off as incurred. These costs give rise to a loss for the year ended 31 March 2006 of £904,350 (£678,410 - 2005), which is in line with the Board's expectations. The loss per share was 3.20p (2.74p - 2005).

Conclusion

I and my fellow directors are looking forward to the implementation of the Project and a move to the Alternative Investment Market when appropriate. I am pleased at the further progress made in the year and remain confident that the development of Cavo Sidero as a landmark project in the Mediterranean will produce significant and increasing value for shareholders.

Christopher W Egleton

Chairman
25 August 2006

Minoan Group Plc

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Change of name

On 16 June 2005, following the approval of shareholders at the Annual General Meeting held on 14 June 2005, the Company changed its name to Minoan Group Plc.

Activities

The principal activity of the Company in the year under review was that of a holding and management company of a Group involved in resort design, creation, services and management.

Review of business

A review of the Company's activities and strategy concerning its Project at Cavo Sidero is given in the Chairman's Statement on page 2. The Company's key risks are all centred round the Project and the steps the directors are taking are discussed in this statement. Given the current single project aspect of the Company, the directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

Results and dividends

The Group made a loss for the year of £904,350 (£678,410 - 2005), which has been transferred to reserves. No dividend is proposed for the year.

Directors and their interests

	Ordinary Shares of 25p each	
	31 March 2006	31 March 2005
C W Egleton	177,260	177,260
B D Bartman	-	N/A
G T Brown	761,161	N/A
W C Cole	68,150	67,652
G D Cook	701,062	N/A
T R C Hill	3,970	3,970
A D T Marshall	266,179	264,179
D C Wilson	200,000	N/A
C W Young	351,482	367,482

Mr Egleton is also a minority shareholder in Simmons International Limited which has an interest in 1,498,443 ordinary shares as at the date of this report (1,498,443 - 2005). These shares have not been included in the above table.

Details of the directors' interests in share options appear in Note 2.

Statement of directors' responsibilities

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 the Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

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Directors' Report (continued)

- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group 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 Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insurance

The Company has Directors and Officers Liability Insurance in place.

Payment of suppliers

The Company's policy is to agree terms with suppliers and payment is made on these terms, provided that the supplier performs according to the terms of the contract.

Post balance sheet events


The directors draw attention to the event disclosed in Note 23.

Auditors and disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting of the Company.

Approved by the Board of Directors and signed on behalf of the Board.



W C Cole
Secretary
25 August 2006

Minoan Group Plc

Independent Auditors' Report to the members of Minoan Group Plc

We have audited the group and parent company financial statements (the "financial statements") of Minoan Group Plc for the year ended 31 March 2006 which comprise the Group Profit and Loss Account, the Group and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report and Chairman's Statement. 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.

Basis of audit opinion

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

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Independent Auditors' Report to the members of Minoan Group Plc (continued)

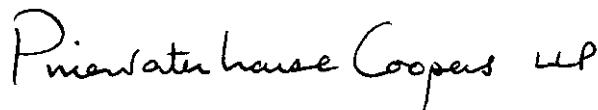
Going concern - fundamental uncertainty

As in prior years, in forming our opinion we have considered the adequacy of the disclosures made in Note 1 to the accounts concerning the uncertainty as to the raising of additional funding. In view of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

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 March 2006 and of the group's loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
25 August 2006

Minoan Group Plc

Consolidated Profit and Loss Account Year ended 31 March 2006

	Note	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Turnover		-	-
Amortisation of goodwill	7	(265,000)	(265,000)
Other administrative expenses		(640,385)	(422,879)
Operating loss	3	(905,385)	(687,879)
Interest receivable and similar income		1,285	9,470
Interest payable and similar charges	4	(250)	(1)
		1,035	9,469
Loss on ordinary activities before taxation		(904,350)	(678,410)
Tax on loss on ordinary activities	5	-	-
Retained loss on ordinary activities after taxation for the year		(904,350)	(678,410)
Retained loss brought forward		(4,917,782)	(4,239,372)
Retained loss carried forward		(5,822,132)	(4,917,782)
Loss per share	6	(3.20)p	(2.74)p

All of the above arises from continuing activities.

There have been no recognised gains or losses attributable to the shareholders other than the losses for the current financial year and, accordingly, no Statement of Total Recognised Gains and Losses is shown.

There is no material difference between the loss on ordinary activities before and after taxation for the financial year and the retained losses for the year stated above and their historical cost equivalents.

Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Loss for the year	(904,350)	(678,410)
Reserve movement in relation to directors' share options	230,100	276,476
New share capital subscribed	6,335,963	40,000
Net addition to/(reduction in) shareholders' funds	5,661,713	(361,934)
Opening shareholders' funds	19,764,307	20,126,241
Closing shareholders' funds	25,426,020	19,764,307

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Consolidated Balance Sheet as at 31 March 2006

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	7	3,572,776	3,837,776
Tangible assets	7	148,561	71,133
Investments	8	-	-
		3,721,337	3,908,909
Current assets			
Work in progress	10	24,811,462	21,281,601
Debtors	11	196,714	133,094
Cash at bank and in hand		419,499	12,068
		25,427,675	21,426,763
Creditors: amounts falling due within one year	13	(3,722,992)	(5,571,365)
Net current assets		21,704,683	15,855,398
Total assets less current liabilities		25,426,020	19,764,307
Capital and reserves			
Called up share capital	16	9,215,980	6,199,037
Share premium account	20	12,176,872	8,857,852
Merger reserve account	20	9,348,724	9,348,724
Profit and loss account	20	(5,315,556)	(4,641,306)
Total equity shareholders' funds		25,426,020	19,764,307

The financial statements on pages 9 to 30 were approved by the Board of Directors on 25 August 2006.

Signed on behalf of the Board of Directors



C W Egleton
Director

Minoan Group Plc

Company Balance Sheet as at 31 March 2006

	Note	2006 £	2005 £
Fixed assets			
Investments	9	1,732,213	1,732,213
Current assets			
Work in progress		408,229	220,776
Debtors	12	20,346,235	13,537,350
Cash at bank and in hand		192,603	33
		20,947,067	13,758,159
Creditors: amounts falling due within one year	14	(629,452)	(611,963)
Net current assets		20,317,615	13,146,196
Total assets less current liabilities			
		22,049,828	14,878,409
Capital and reserves			
Called up share capital	16	9,215,980	6,199,037
Share premium account	21	12,176,872	8,857,852
Profit and loss account	21	656,976	(178,480)
Total equity shareholders' funds		22,049,828	14,878,409

The financial statements on pages 9 to 30 were approved by the Board of Directors on 25 August 2006.

Signed on behalf of the Board of Directors.



C.W. Egleton
Director

Minoan Group Plc

Consolidated Cash Flow Statement Year ended 31 March 2006

	Note to the Cash Flow Statement	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	1	523,078	(1,548,672)
Returns on investments and servicing of finance			
Interest received		1,285	9,470
Interest paid		(250)	(1)
Net cash inflow for returns on investments and servicing of finance		1,035	9,469
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(89,182)	(47,745)
Net cash outflow for capital expenditure and financial investment		(89,182)	(47,745)
Financing			
(Decrease)/Increase in loans (net of loans repaid through issue of shares)	2	(65,000)	315,000
Issue of ordinary share capital - Minoan Group Plc		37,500	-
Net cash outflow/(inflow) from financing		(27,500)	315,000
Increase/(decrease) in cash	2	407,431	(1,271,948)

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Notes to the Consolidated Cash Flow Statement Year ended 31 March 2006

1 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2006 £	2005 £
Operating loss	(905,385)	(687,879)
Amortisation of goodwill	265,000	265,000
Depreciation	11,754	2,209
Increase in work in progress	(3,529,861)	(4,517,849)
Charge in respect of directors' share options	230,100	276,476
Increase in debtors	(63,620)	(68,643)
(Decrease)/increase in creditors	(1,848,373)	3,457,014
Non cash movement in creditors	6,363,463	(275,000)
Net cash inflow/(outflow) from operating activities	523,078	(1,548,672)

2 Reconciliation of net cash flow to movement in net funds/(debt)

	2006 £	2005 £
Increase/(decrease) in cash in the period	407,431	(1,271,948)
Cash inflow from financing	(3,993,500)	(315,000)
Change in net debt arising from cash flow	(3,586,069)	(1,586,948)
Repayment of loans through issue of shares	4,058,500	-
Net (debt)/funds at start of period	(302,932)	1,284,016
Net funds/(debt) at 31 March	169,499	(302,932)

3 Analysis of changes in net funds/(debt)

	At 31 March 2005 £	Cash flows £	At 31 March 2006 £
Cash in hand and at bank	12,068	407,431	419,499
Loans	(315,000)	65,000	(250,000)
Total	(302,932)	472,431	169,499

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Notes to the Accounts Year ended 31 March 2006

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. A summary of the principal accounting policies adopted is provided below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries.

Changes in accounting policies

The Group has adopted FRS 25 "Financial instruments: Disclosure and presentation". The adoption of this standard represents a change in accounting policy. The Group has taken advantage of the exemptions available in FRS 25 from the requirement to restate comparative information. Further details are provided in notes 13 and 17 to the financial statements.

Work in progress and turnover

Work in progress represents costs of goods and services directly attributable to the development project of the Company and is stated at the lower of cost and net realisable value.

The Cavo Sidero development project is the only activity of the Group and the Group has not therefore earned or recognised any turnover to date.

Going concern

The financial statements have been prepared on the going concern basis.

The Group is involved in continuing discussions with its financial advisers and sources of finance to raise project finance and to meet ongoing working capital requirements. The directors consider that required funds will be raised and that the going concern basis is appropriate. The financial statements do not include any adjustments that might result if funding is not available when required.

Further comment appears in the Chairman's Statement.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Goodwill

For acquisitions of a business, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life. The directors regard 20 years as a reasonable period for the estimated useful life of the goodwill (which relates to the Cavo Sidero Project) since it is difficult to make projections exceeding this period although the directors are of the opinion that the project site has longer term value.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. Any translation differences arising are dealt with in the profit and loss account.

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Notes to the Accounts (continued) Year ended 31 March 2006

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at costs less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated life of the assets, as follows:

Freehold Land:	capital cost not depreciated
Plant and equipment:	5 years

Borrowings

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings and represent a constant proportion of the balance of capital repayments outstanding. Accrued finance charges and issue costs are added to the carrying value of those borrowings.

Financial instruments

The Group holds funds in its Greek subsidiary, Loyalward Hellas S.A, through regular Euro transfers from Loyalward Limited. The amount transferred means that the Euro cash balances held by Loyalward Hellas S.A are not significant. Further details are given in Note 17.

Share options

In accordance with the requirements of UITF 17 "Employee Share Schemes", a charge is made in the profit and loss account, or is capitalised as work in progress, for the difference between the fair value of the shares under option at the date of grant, and the exercise price. Where the award is conditional on certain performance criteria being met this is reflected in the number of options on which the charge is calculated.

Pensions

The Group does not operate any pension schemes on behalf of its employees but has made a number of bonus payments to directors in the form of pension annuities. These payments are recognised when bonus criteria have been met.

Deferred taxation

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities are not discounted.

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Notes to the Accounts (continued) Year ended 31 March 2006

2 Information regarding directors and employees

Directors' remuneration

	Capitalised costs £	Costs taken to the Profit and Loss Account £	Total £
Year to 31 March 2006			
Fees	136,882	74,710	211,592
Sums paid to third parties for directors' services	588,870	12,000	600,870
Amounts provided re annuities and bonuses due to directors (see below)	349,528	57,500	407,028
Directors' share options (see page 17)	187,453	42,647	230,100
	1,262,733	186,857	1,449,590
Year to 31 March 2005			
Fees	115,885	92,000	207,885
Sums paid to third parties for directors' services	478,188	12,000	490,188
Amounts provided re annuities and bonuses due to directors (see below)	831,935	50,000	881,935
Directors' share options (see page 17)	144,901	131,575	276,476
	1,570,909	285,575	1,856,484

Payments in respect of the services of the chairman, who was also the highest paid director, were £739,823 (£1,028,880 - 2005), including £309,066 accrued (£611,460 - 2005) in respect of the lump sums required to provide the annuities due to the chairman after the occurrence of the trigger events referred to below.

Of the total directors' remuneration shown above, £794,528 (£1,306,411 - 2005) either has been, or is to be, settled in shares or is the result of the accounting charge required in respect of directors' share options. These amounts include £516,903 (£756,361 - 2005) in respect of the services of the chairman.

Contracts have been entered into for the provision of the services of the directors. Under the terms of the contracts, on the occurrence of certain trigger events, bonuses became payable in respect of the services of W C Cole and C W Young and provision has been made by the Company to provide retirement annuities for C W Egleton, T R C Hill and C Valassakis, a director of Loyalward Limited.

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Notes to the Accounts (continued) Year ended 31 March 2006

2 Information regarding directors and employees (continued)

Directors' interests in share options and warrants

	Exercise Price	Number of ordinary shares		Notes	Expiry Date
		At 31 March 2006	At 31 March 2005		
Options					
B D Bartman	75p	35,000	N/A	Note 3	31/12/07
W C Cole	50p	162,000	162,000	Note 1	31/08/06
W C Cole	75p	40,000	40,000	Note 2	31/12/06
W C Cole	75p	100,000	100,000	Note 3	31/12/06
G D Cook	75p	125,000	N/A		31/12/07
C W Egleton	60p	185,400	185,400	Note 1	31/08/06
C W Egleton	75p	40,000	40,000	Note 2	31/12/06
C W Egleton	75p	500,000	500,000	Note 3	31/12/06
T R C Hill	75p	40,000	40,000	Note 2	31/12/06
C W Young	75p	88,889	-		31/12/07
Warrants					
G T Brown	75p	33,250	N/A		31/12/07
G D Cook	75p	40,250	N/A		31/12/07
D C Wilson	75p	35,000	N/A		31/12/07
		1,424,789	1,067,400		

Notes

- Exercise of these options is subject to the Contract with the Foundation becoming unconditional or on a sale of the Company (which could include a reverse takeover of the Company) or on a listing of the Company's shares.
- These options were granted as part of the undertakings and counter indemnity arrangements in connection with the bank facility arrangement with Singer & Friedlander Limited (see Note 22). All of these options expire on 31 December 2006, although each one may expire earlier than that date if certain events occur as set out in each option agreement.
- These options are exercisable in two equal tranches on the occurrence of (a) a listing, including admission to AIM and (b) receipt by Loyalward Limited of an unappealable approval in relation to its Environmental Impact Study as submitted, or subject to such conditions as are acceptable to and are accepted by Loyalward Limited.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

2 Information regarding directors and employees (continued)

Staff costs during the year (including directors)

	Capitalised costs £	Costs taken to the Profit and Loss Account £	Total £
Year to 31 March 2006			
Wages and salaries	136,882	132,210	269,092
Social security cost	5,762	21,916	27,678
Directors' share options (see page 17)	187,453	42,647	230,100
	330,097	196,773	526,870
Year to 31 March 2005			
Wages and salaries	115,885	142,000	257,885
Social security cost	4,300	10,563	14,863
Directors' share options (see page 17)	144,901	131,575	276,476
	265,086	284,138	549,224

Note: As required by Companies Act disclosure, staff costs exclude payments to third parties for directors' services.

	2006 No.	2005 No.
Average number of persons employed		
Administration	13	8

3 Operating loss

The operating loss is stated after charging:

	2006 £	2005 £
Depreciation	11,754	2,209
Amortisation	265,000	265,000
UITF 17 share option charge	42,647	131,575
Auditors' remuneration:		
Audit fees	25,000	25,000
Taxation fees	20,020	16,770
Other services - review and advisory	-	15,500

Audit fees in respect of the Company were £12,500 (£12,500 - 2005).

Fees in respect of the Company's proposed admission to AIM were invoiced in the amount of £166,928 (£126,298 - 2005) and are included in debtors and prepayments (see Note 11).

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

4 Interest payable and similar charges

	2006 £	2005 £
Bank loans, overdrafts and other loans repayable within five years	250	1

5 Taxation on ordinary activities

Consolidated

(a) Analysis of tax charge for the period

	2006 £	2005 £
UK Corporation Tax at 30% (30% - 2005)	-	-
Current year (note 5 (b))	-	-
Tax on ordinary activities	-	-

(b) Factors affecting tax charge for the period

	2006 £	2005 £
Loss on ordinary activities before tax	(904,350)	(678,410)
Tax on ordinary activities multiplied by the standard rate in the UK of 30% (30% - 2005)	(271,305)	(203,523)
Effect of expenses not deductible for tax purposes	81,815	108,043
Effect of movement on deferred tax not recognised	189,490	95,480
Current tax charge for the period (note 5 (a))	-	-

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

5 Taxation on ordinary activities (continued)

Company

(a) Analysis of tax charge for the period

	2006 £	2005 £
UK Corporation Tax at 30% (30% - 2005)	-	-
Current year (note 5 (b))	349,593	-
Tax on profit on ordinary activities	349,593	-

(b) Factors affecting tax charge for the period

	2006 £	2005 £
Profit on ordinary activities before tax	954,949	592,702
Tax on ordinary activities multiplied by the standard rate in the UK of 30% (30% - 2005)	286,485	177,811
Effect of expenses not deductible for tax purposes	2,315	25,585
Effect of movement on deferred tax not recognised	60,793	(203,396)
Current tax charge for the period (note 5 (a))	349,593	-

6 Loss per share

Earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share are calculated by adjusting basic earnings per share to assume the conversion of all dilutive potential ordinary shares. In the case of losses however, these shares are antidilutive and as such they are ignored in calculating diluted loss per share. Therefore the basic loss per share and diluted loss per share are the same. The weighted average number of shares used in calculating basic and diluted loss per share for the year ended 31 March 2006 was 28,238,962 (24,761,912 - 2005).

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

7 Tangible and intangible fixed assets - consolidated

	Freehold Land £	Plant & Equipment £	Total tangible fixed assets £	Goodwill £
Cost				
At 31 March 2005	70,295	13,007	83,302	5,295,276
Additions	79,769	9,413	89,182	-
At 31 March 2006	150,064	22,420	172,484	5,295,276
Depreciation/Amortisation				
At 31 March 2005	403	11,766	12,169	1,457,500
Provided in year	4,758	6,996	11,754	265,000
At 31 March 2006	5,161	18,762	23,923	1,722,500
Net book value				
At 31 March 2006	144,903	3,658	148,561	3,572,776
At 31 March 2005	69,892	1,241	71,133	3,837,776

On 15 September 1999 a holding company, Loyalward Group Plc, was created. Loyalward Group Plc (now Minoan Group Plc) acquired the share capital of Loyalward Limited in a share for share exchange. Acquisition accounting was used to account for this transaction, which gave rise to goodwill of £5,295,276, which is being amortised over 20 years.

The consideration for the acquisition was the issue of 5,342,128 ordinary shares of Loyalward Group Plc at a price of £2 per share. The investment in Loyalward Limited is included in the entity balance sheet of Minoan Group Plc at the nominal value of the shares issued of £1,335,532. The difference between the price at which the shares were issued and the nominal value was transferred to a merger reserve account (see Note 20).

The directors have assessed the recoverable amount of the Cavo Sidero development as being greater than the combined carrying value of the goodwill and work in progress at 31 March 2006.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

8 Investments held as fixed assets - consolidated

	£
Cost	
At 31 March 2006 and 31 March 2005	83,396
Amounts written off	
At 31 March 2006 and 31 March 2005	83,396
Net book value	
At 31 March 2006 and 31 March 2005	-

The Company holds 25 per cent of the issued ordinary share capital of Tyrrenhium Limited, a resort design, creation, services and management company, incorporated in England. For the year ended 31 March 2006 Tyrrenhium made a profit of £1,272. At 31 March 2006 Tyrrenhium had net liabilities of £12,510. The Company does not equity account for this investment as it does not have the ability to exercise significant influence or control.

9 Investments held as fixed assets - company

	Shares in subsidiaries £	Other investments £	Total £
Cost			
At 31 March 2006 and 31 March 2005	1,732,213	83,396	1,815,609
Amounts written off			
At 31 March 2006 and 31 March 2005	-	83,396	83,396
Net book value			
At 31 March 2006 and 31 March 2005	1,732,213	-	1,732,213

Interests in subsidiaries

Loyalward Limited 100% - A company incorporated in England involved in resort design, creation, services and management.

Loyalward Leisure Plc 100% - A non-trading company incorporated in England.

Loyalward Hellas SA 100% - A company incorporated in Greece engaged in corporate and resort management in Greece.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

10 Work in progress

Work in progress costs capitalised at 31 March 2006 amount to £24,811,462 (£21,281,601 - 2005), the main elements of which were costs associated with securing the development site at Cavo Sidero in Crete and planning and other design costs. The amounts capitalised include £1,099,178 (£829,100 - 2005) in respect of fees incurred in relation to the Singer and Friedlander banking facility of £3.9 million (see Note 22).

The development site at Cavo Sidero is to be leased from the Public Welfare Ecclesiastical Foundation Panagia Akrotiriani ("the Foundation") for an initial 40 year period following contract activation. The Group has an option over a further 40 years. An amount of £3.9 million is payable to the Foundation on contract activation, plus ongoing royalties earned on revenue generated by the development.

11 Debtors - consolidated

	2006 £	2005 £
Other debtors and prepayments	181,343	128,033
VAT recoverable	15,371	5,061
	196,714	133,094

12 Debtors - company

	2006 £	2005 £
Amounts owed by subsidiary undertakings	20,179,307	13,410,422
Other debtors and prepayments	166,928	126,928
	20,346,235	13,537,350

13 Creditors: amounts falling due within one year - consolidated

	2006 £	2005 £
Trade creditors	713,807	1,139,418
Other taxes and social security	47,403	56,198
Accruals and deferred income	2,711,782	4,060,749
Loans	250,000	315,000
	3,722,992	5,571,365

One of the Group's suppliers has agreed with the Group that its entitlement to invoice for work performed to date is conditional on the Company's admission to trading on AIM and the receipt of an unappealable approval of the Company's Environmental Impact Study. Although not invoiced £1,147,000 (£1,000,000 - 2005) is accrued in the accounts as at 31 March 2006. Accruals at 31 March 2006 included pension bonuses payable to directors of £1,255,189 (£1,635,015 - 2005) as referred to in Note 2.

Certain of the providers of loans received in the year were given the right to acquire villas on the Cavo Sidero at discounts to the selling price at the time the villas are available to be purchased. There is no interest payable on the loans. Loans outstanding at 31 March 2006 are repayable on the Company's proposed admission to trading on AIM.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

14 Creditors: amounts falling due within one year - company

	2006 £	2005 £
Trade creditors	2,610	900
Accruals	239,750	258,564
Taxation - group relief	349,593	-
Due to subsidiary company	37,499	37,499
Loans	-	315,000
	629,452	611,963

15 Deferred taxation

Consolidated

No deferred taxation has been recognised in the financial statements. The total potential asset is as follows:

	Total potential asset		Amount recognised	
	2006 £	2005 £	2006 £	2005 £
Tax effect of timing differences because of:				
Accelerated capital allowances	3,329	354	-	-
Short term timing differences	52,309	54,515	-	-
Losses	1,222,276	1,029,762	-	-
	1,277,914	1,084,631	-	-

The above deferred tax asset is based on a corporation tax rate of 30% (30% - 2005).

In accordance with FRS 19, the deferred tax asset has not been recognised on the basis that the transfer of economic benefits in the future is not certain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Company

No deferred taxation has been recognised in the financial statements. The total potential asset is as follows:

	Total potential asset		Amount recognised	
	2006 £	2005 £	2006 £	2005 £
Tax effect of timing differences because of:				
Accelerated capital allowances	2,670	-	-	-
Short term timing differences	52,309	39,515	-	-
Losses	333,261	22,436	-	-
	388,240	61,951	-	-

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

15 Deferred taxation (continued)

The above deferred tax asset is based on a corporation tax rate of 30% (30% - 2005). In accordance with FRS 19, the deferred tax asset has not been recognised on the basis that the transfer of economic benefits in the future is not certain. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

16 Share capital

	2006 £	2005 £
Authorised		
60,000,000 ordinary shares of 25p each (34,000,000 - 2005)	15,000,000	8,500,000
<hr/>		
Called up, allotted and fully paid		
31 March 2006 - 35,363,920 ordinary shares of 25p each	8,840,980	
<hr/>		
31 March 2005 - 24,796,147 ordinary shares of 25p each		6,199,037
<hr/>		
Convertible debt		
31 March 2006 - 1,500,000 ordinary shares of 25p each	375,000	-

At the Annual General Meeting held on 14 June 2005 the authorised share capital was increased from 34,000,000 to 42,000,000 ordinary shares. At the Annual General Meeting held on 28 March 2006 the authorised share capital was increased from 42,000,000 to 60,000,000 ordinary shares.

During the year 1,281,800 ordinary shares were issued to satisfy payments due under directors' contracts (see Note 2). These shares were issued at £1 per share in accordance with the terms of the directors' contracts. As required by UITF 17, however, they have been accounted for at the market value at the time of issue, 53 pence per share. In addition, 1,240,928 ordinary shares were issued at a price of 65 pence per share, 350,000 ordinary shares were issued at a price of 60 pence per share, 1,416,109 ordinary shares were issued at a price of 53 pence per share, 1,200,000 ordinary shares were placed at a price of 50 pence per share and 5,078,936 ordinary shares were issued at a price of 50 pence per share.

17 Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

17 Financial instruments (continued)

Interest rate risk

The Group finances its operations through a mixture of equity and other borrowings. The Group has historically borrowed in Sterling only. At 31 March 2006 the Group's borrowings were interest free.

Liquidity risk

During the year the Group has entered into a number of loan agreements in order to ensure that the Group had sufficient liquidity. The Group maintains sufficient cash in local currency for operational liquidity.

Foreign currency risk

The Group has one overseas trading subsidiary, Loyalward Hellas S.A., which operates in Greece and whose revenues and expenses are denominated almost exclusively in Euros. The Group finances Loyalward Hellas S.A. via Euro transfers from Loyalward Limited as required. The amount transferred ensures that the Euro balance held by Loyalward Hellas S.A. at each year end is not material. No Group company holds cash in currencies other than their functional currency. The Sterling and Euro cash balances attract interest at floating rates.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the following disclosures.

Interest rate profile

The interest rate profile of the Group's liabilities, which are all denominated in sterling and due in less than one year, was as follows:

	Weighted average interest rate	At 31 March 2006 £	At 31 March 2005 £
Convertible loans	Nil	750,000	315,000
Loans	Nil	250,000	-

Convertible loans at 31 March 2006 are classified as equity in accordance with FRS 25.

At 31 March 2006 the Group has a guarantee of £3,901,000 with Singer and Friedlander as discussed in Note 22.

The Group has no derivatives or financial instruments other than those disclosed above. There is no material difference between the book value and the fair value of the Group's financial assets and liabilities at 31 March 2006.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

18 Related party transactions

Transactions between Group companies that are fully eliminated on consolidation are not disclosed, as permitted by FRS 8 "Related party disclosures".

The following are related parties and provided services to the Group:

Simmons International Limited, a company in which C W Egleton is a minority shareholder

Sutherland Associates, a partnership in which C W Young is a partner

WT Partnership has a subsidiary of which T R C Hill is a director

Whiteford Young Limited, a company of which C W Young is a director

Bizwatch Limited, a company in which J C Watts, a director of Loyalward Limited, owns 50% of the issued share capital

B D Bartman & Co, a firm of which B D Bartman is principal

Transactions (expenditure) undertaken in the years ended 31 March with these related parties are shown below. The amounts shown in 2005 for Simmons International Limited and Whiteford Young Limited include the amounts in respect of the annuities and bonuses due to C W Egleton and C W Young respectively after the occurrence of the trigger events referred to in Note 2 above.

	2006	2005	Creditor as at
	£	£	31 March 2006
			£
Simmons International Limited	558,986	862,698	1,000,083
Sutherland Associates	15,000	-	1,265
WT Partnership	70,000	61,010	-
Whiteford Young Limited	-	81,807	-
Bizwatch Limited	63,750	115,745	27,241
B D Bartman & Co	29,000	-	14,000

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

19 Share options and warrants

The following options to purchase shares in the Company have been granted as at 31 March 2006

Name	Number	Options over ordinary shares in Minoan Group Plc at 31 March 2006		
		Exercise Price	Date Exercisable	Expiry Date
J C Watts, director of Loyalward Limited	up to 70,000	75p	note 1	31/12/06
J C Watts	up to 40,000	75p	note 2	31/12/06
C Valassakis, director of Loyalward Limited	up to 40,000	75p	note 2	31/12/06
Mr & Mrs B M J P Choulman	up to 300,000	50p	note 3	31/08/06
Phoenix International Invest Limited	up to 100,000	75p	note 4	31/12/06
B & Co (Crete) Limited	up to 2,200,000	60p	note 5	31/12/06
N Taylor	up to 1,118,000	60p	note 6	31/12/06

Directors' interests in share options are shown in Note 2.

Notes

- 1 This option is conditional on the receipt of certain approvals in respect of the Cavo Sidero Project.
- 2 These options were granted as part of the undertakings and counter indemnity arrangements in connection with the bank facility arrangement with Singer & Friedlander Limited (see Note 22). All of these options expire on 31 December 2006, although each one may expire earlier than that date if certain events occur to the individual or Company as set out in each option agreement.
- 3 Exercise of these options is subject to the Contract with the Foundation becoming unconditional or on a sale of the Company (which could include a reverse takeover of the Company).
- 4 This option is exercisable until the earlier of (a) 31 December 2006 and (b) the date on which the first of certain other events occur (in summary, the relevant dates and events are (i) on either party becoming insolvent (or a broadly analogous event), (ii) on Phoenix International Invest Limited ceasing to be the legal and beneficial owner of the option and (iii) one month after a Takeover Offer (as such term is defined in the option agreement) being made in relation to the Company) .
- 5 This option has been granted to B & Co (Crete) Limited in connection with the bank facility arrangement with Singer & Friedlander Limited (see Note 22). The option is exercisable until the later of (a) 31 December 2006 and (b) 90 days after a valid building license and permit has been granted to Loyalward Limited
- 6 This option has been granted in connection with Loyalward Limited's Environmental Impact Study. The option is exercisable until the later of (a) 31 December 2006 and (b) 90 days after a valid building licence and permit has been granted to that company.

Minoan Group Plc

Notes to the Accounts (continued) Year ended 31 March 2006

19 Share options and warrants (continued)

In addition to the options referred to above:

- (a) Warrants for the subscription of 125,000 ordinary shares in the Company at a price of 50 pence share were exercised or expired at 31 March 2006. Warrants for the subscription of 100,000 ordinary shares in the Company at a price of 75 pence per share also expired at that date.
- (b) During the year ended 31 March 2006 warrants were granted for the subscription of up to 1,351,586 ordinary shares in the Company at a price of 75 pence per share. These warrants are exercisable at any time up to 31 December 2007.

20 Consolidated movements in reserves

	Share Premium £	Merger Reserve £	Profit and Loss Account £
At 31 March 2005	8,857,852	9,348,724	(4,641,306)
Loss for the financial year	-	-	(904,350)
Arising on allotment of shares	2,944,020	-	-
Convertible loan	375,000	-	-
Reserve movement relating to Directors' share options (see Note 1)	-	-	230,100
At 31 March 2006	12,176,872	9,348,724	(5,315,556)

21 Company movements in reserves

	Share Premium Account £	Profit and Loss Account £
At 31 March 2005	8,857,852	(178,480)
Profit for the financial year	-	605,356
Convertible loan	375,000	-
Reserve movement relating to Directors' share options (see Note 1)	-	230,100
Arising on allotments of shares	2,944,020	-
At 31 March 2006	12,176,872	656,976

Minoan Group Plc

Notes to the Accounts (continued) **Year ended 31 March 2006**

22 Contingent liabilities

The directors have identified contingent liabilities and commitments totalling £4,338,168 as at 31 March 2006 comprising the following items:

- (i) Upon activation of the Contract for the site at Cavo Sidero, when certain planning and other requirements have been achieved, liabilities totalling £3,909,000 will become due. Of this amount, the Company has obtained a banking facility of £3,901,000, which expires in December 2007, to meet the balance of the initial consideration payable in respect of Cavo Sidero when it becomes due.
- (ii) Upon irrevocable approval of the Environmental Impact Study by the Greek government, fees of £227,000 become payable to certain key suppliers in respect of advisory work.
- (iii) An amount of €60,000 (c£42,000) will become due upon receipt of building licenses.
- (iv) An amount of £125,000 is payable to one of the Group's suppliers (see Note 13) upon irrevocable approval of the Environmental Impact Study by the Greek government.
- (v) An amount of £35,000 is payable to T R C Hill upon irrevocable approval of the Environmental Impact Study by the Greek government.

Of the contingent liabilities, £155,292 may be settled, at the Company's discretion, by the issue of ordinary shares.

The directors are of the view that no significant liabilities will arise in respect of a civil case brought against the Company.

The Company has no other capital or operating commitments.

23 Post balance sheet events

On the 4 May 2006 the Company issued 550,000 ordinary shares at 50 pence per share in order to satisfy the exercise of Warrants.