

Chantrey Vellacott DFKLLLP

Minoan Group Plc
Report and Financial Statements
13 months ended 31 October 2011

Company registration no: 3770602

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Minoan Group Plc
Report and Financial Statements
13 months ended 31 October 2011

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Minoan Group Plc

Directors and Advisers

Directors

C W Egleton FCA (Chairman)
D C Wilson (Managing Director)
B D Bartman BSc (Econ), FCA
G D Cook MA, ACA
T R C Hill B Arch

Company secretary

W C Cole FCA

Registered office

30 Aylesbury Street
London
EC1R 0ER

Administration office

3rd Floor, AMP House
Dingwall Road
Croydon
Surrey
CR0 2LX

Bankers

HSBC Bank plc, London
Barclays Bank Plc, Glasgow

Legal advisers

Pinsent Masons, London

Nominated adviser and joint broker

Seymour Pierce Limited, London

Joint broker

Rivington Street Corporate Finance Limited, London

Registrars

Neville Registrars Limited, Halesowen, West Midlands

Independent auditor

Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor
Russell Square House
10-12 Russell Square
London
WC1B 5LF

Minoan Group Plc

Chairman's Statement

Introduction

The period under review has seen the successful completion of the first stage in the Group's transition into a widely based travel and leisure business. Whilst the full effects of this transition on both revenue and cash flow will only be felt in the current year and the future, I am very pleased that the strategy set out in my last annual statement and the admission document published in September last year is now bearing fruit.

Contemporaneously, following numerous changes to the applicable laws and the iterations which were made necessary, the design of the Group's new project in Crete (the 'Project') has been finalised and the application for the Project to be recognised as a strategic investment and, as such, to qualify for inclusion in the Fast Track Process has now been submitted.

The Project

Most of the new laws referred to above were introduced by the Greek government after June 2011 when the Company's first presentation to Invest in Greece was announced. The re-designs necessary involved considerable effort and cost to ensure that the project not only complied with all the new legislation but also remained environmentally friendly and sustainable.

As shareholders will know from previous announcements, the Fast Track Process is designed to simplify and speed up the overall planning regime. The timescale should be measured in months - a substantial improvement compared with the previous long drawn out procedure. According to the law the relevant decision on our Project's inclusion in Fast Track should be made no more than 45 working days from the date of submission. Thereafter Invest in Greece will coordinate the overall planning process.

Notwithstanding the Group's expansion in the travel sector, the Project remains a major asset of the Group and I look forward to keeping shareholders informed of progress.

Travel and Leisure

Since my last annual statement the Group has acquired King World Travel Limited and John Semple Travel Limited as well as completing a number of agreements with various product suppliers, notably Sunwing Airlines of Canada.

In the period since the year end the Group has agreed to acquire the assets and business of Stewart Travel Centre, having purchased a stake of 19.9% at the end of May 2011.

As a result, the first phase of the implementation of the Group's strategy in this sector is now substantially complete and total transaction value for the current year is expected to exceed £50 million.

Whilst I am very pleased with the progress so far, the Group's expansion from the existing Scottish cluster is very much on the directors' minds and a number of potential acquisition targets as well as additional product supplier agreements are under review.

Minoan Group Plc

Chairman's Statement (continued)

Financial Results

The loss before taxation for the period ended 31 October 2011, which includes for the first time the figures for the Group's travel and leisure businesses, is £1,615,000 (year ended 30 September 2010 £1,261,000), which is also in line with the Board's expectations. The loss includes exceptional costs in the amount of £842,000 specifically related to the acquisitions of travel businesses during the period. Included in these exceptional costs are the costs of re-admission to AIM in October 2011 in the amount of £317,000 and the legal and professional fees related to the acquisitions which, in accordance with the latest accounting standards, are required to be written off rather than capitalised.

As can be seen in note 4 to the accounts, the Travel and Leisure division of the Group contributed a profit of £154,000 prior to the exceptional costs. The loss before taxation also includes a charge in respect of share based payments in the amount of £349,000 (year ended 30 September 2010 £535,000), which is an accounting charge required by International Financial Reporting Standards that involves no movement of cash. The loss per share was 1.77p (year ended 30 September 2010 1.77p).

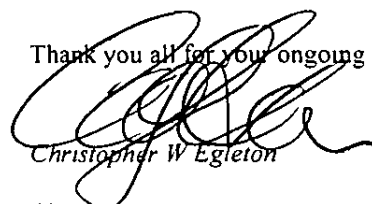
In order to reflect the Company's long term commitment to the Project certain of the costs related thereto, totalling £19,820,000, have been reallocated to non-current assets as a prior year adjustment. As a consequence, the value of the Project remaining in inventories was £15,652,000 (30 September 2010 £14,904,000). Expenditure capitalised in the period is in line with the Board's expectations.

Conclusion

The period under review has seen a transformation of the Group into a revenue generating business for the first time. I, and your Board, believe that revenues and profits from the travel businesses will continue to grow and not only provide support for the Project but also create substantial shareholder value in the future.

The recently announced trading update indicates that in a poor market our revenues are holding up extremely well and I believe that this will continue for the rest of the year. I will keep shareholders informed of progress in the coming months.

Thank you all for your ongoing support



Christopher W Egleton
Chairman
30 March 2012

Minoan Group Plc

Directors' Report

During the period, the Company extended its accounting reference date to 31 October in order to bring all companies in the Group in line. As a consequence, the directors present their report and the audited consolidated financial statements for the 13 months ended 31 October 2011.

Principal activities

The Company is a public limited company incorporated in England and Wales and quoted on AIM. The Company's principal activity in the period under review was that of a holding and management company of a Group involved in the design, creation, development and management of environmentally friendly luxury resorts and in the operation of independent travel businesses, through which the Group provides a broad range of services including, inter alia, transportation, hotel and other accommodation and leisure services.

Corporate social responsibility

The Group has demonstrated its social responsibilities through its iterative approach to the evolution of the Project, which has involved a transparent process and extensive consultation with stakeholders. The Project design embraces the principles of the five capitals of sustainability and developed solutions to ensure that all related matters have been taken into account and related one to the other. Thus the more usual concerns related to the protection of the environment, flora, fauna, hydrogeology and the ecology generally have drawn in considerations of wider issues including social, cultural, human and economic matters as well as those related to the extensive use of renewable energy and many other items contributing to a healthy carbon footprint. The Project is strictly focused on the long term restoration and preservation of the environment as a whole and puts in place a sustainable management plan, involving local representatives and experts, to ensure a robust, proactive management system is implemented aimed at protecting the area for future generations.

Review of business

A review of the Group's business is given in the Chairman's Statement on page 2. 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. The Group's financial instruments are discussed in note 15.

Principal risks and uncertainties

The Group's key risks currently remain centred round the Project. The Group has an ongoing requirement to raise capital to finance its working capital. As has been the case for the past several years, the Group is in continual discussions with a variety of individuals and commercial parties regarding the provision of funding to enable the Group's current and future obligations and requirements to be met. These discussions are at varying stages of development and the Board is confident that all necessary funding will be forthcoming within a timescale which will enable the Group to move forward to provide a return to shareholders in due course (see also note 1).

As the Project progresses and moves towards its implementation stage, the normal risks associated with a development of its size and nature will apply. These include, inter alia, detailed planning consents, availability of project finance, construction costs and market demand.

The risks relating to the travel businesses are primarily its reliance on supply from tour operators and airlines, and changes in general economic and other business conditions which may adversely affect demand for tourism products. There are no material risks related to currency.

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Directors' Report (continued)

Principal risks and uncertainties (continued)

Notwithstanding the current turmoil in financial markets and the global economy as a whole, the Board is confident that the value of the Group's asset in Crete, combined with the future prospect for development in other areas of activity, justifies the conclusion that it is appropriate to prepare the accounts on the going concern basis

Results and dividends

The financial statements are prepared in accordance with EU adopted International Financial Reporting Standards ("IFRS") and IFRIC interpretations and the Companies Act 2006

The Group made a loss for the period of £1,615,000 (year ended 30 September 2010 £1,261,000), after exceptional costs related to acquisitions, including AIM admission, in the amount of £842,000 (year ended 30 September 2010 £Nil), which has been transferred to reserves. The loss also includes a charge in respect of share based payments (note 17) in the amount of £349,000 (year ended 30 September 2009 £535,000). This charge does not involve any cash payment.

No dividend is proposed for the period (year ended 30 September 2010 Nil)

Directors and their interests

	Ordinary Shares of 1p each		Deferred Shares of 24p each	
	31.10.11	30 09 10	31 10 11	30 09 10
C W Egleton	217,260	217,260	217,260	217,260
B D Bartman	210,834	210,834	103,500	103,500
G D Cook	1,087,730	1,087,730	834,396	834,396
T R C Hill	3,970	3,970	3,970	3,970
D C Wilson	321,429	321,429	321,429	321,429

Mr C W Egleton is also a minority shareholder in Simmons International Limited which has an interest in 2,157,420 ordinary shares as at the date of this report (30 September 2010 1,132,000). These shares have not been included in the above table.

Details of the directors' interests in the Company's Long Term Incentive Plan and share options appear in note 17.

The directors in office at the end of the period remain in office as at the date of signing of the Directors' Report.

Statement of directors' responsibilities

The directors are responsible for preparing and reporting the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with IFRS as adopted by the EU. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period.



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Directors' Report (continued)

Statement of directors' responsibilities (continued)

In preparing the 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 the financial statements comply with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group 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 Group 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 Group web site, www.minoangroup.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Each director as at the date of this report has confirmed that, to the best of his knowledge, the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU,

- give a true and fair view of the assets, liabilities, financial position and loss of the Group, and
- include in the Chairman's Statement and Directors' Report a fair review of the development, performance and position of the Group, together with a description of the risk and uncertainties it faces

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

Insurance

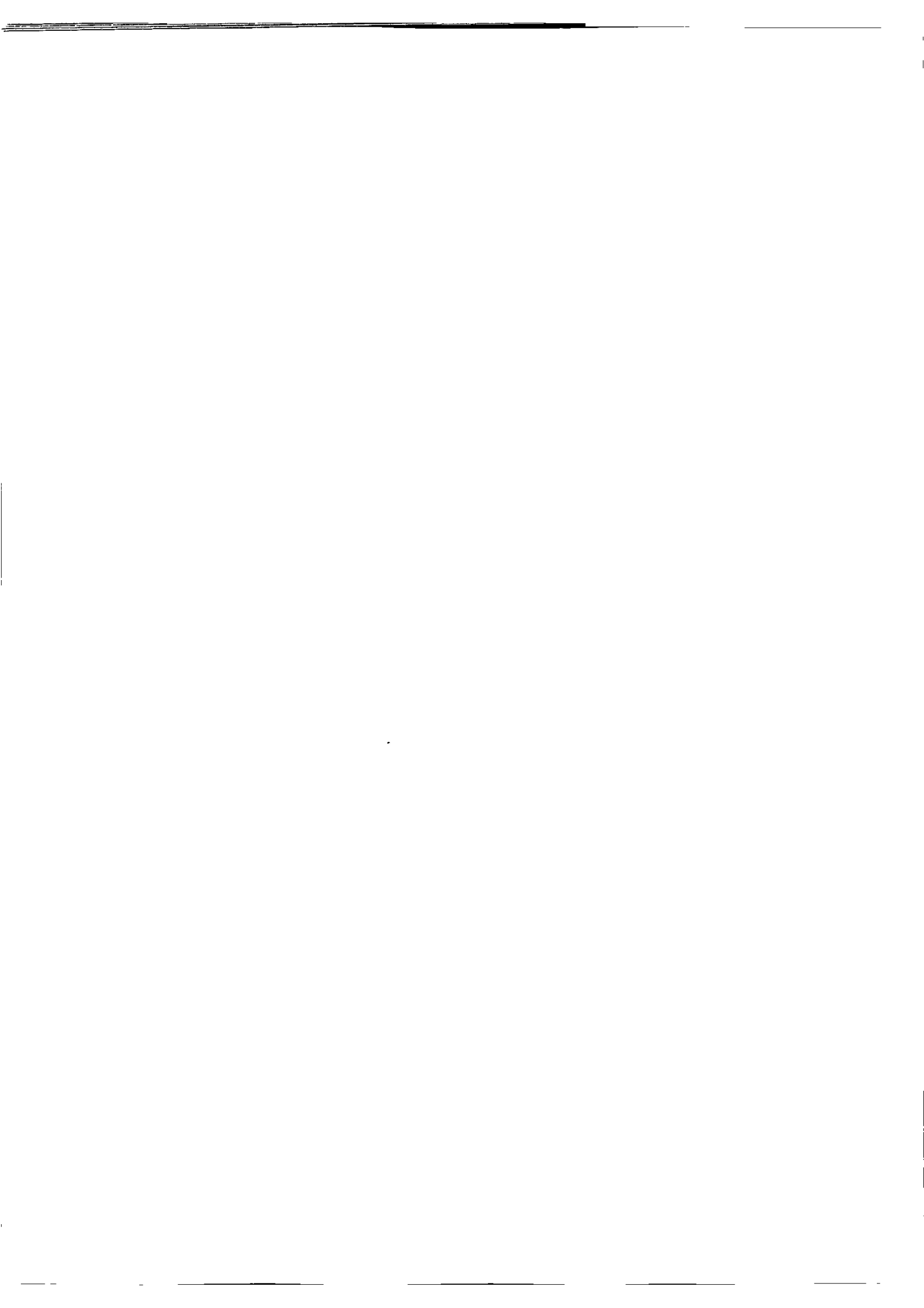
The Company has in place during the period, and remaining in place at the date of this report, Directors and Officers Liability Insurance covering the directors of all group companies

Payment of suppliers

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

Events after the balance sheet date

The directors draw attention to the events disclosed in note 19



Minoan Group Plc

Directors' Report (continued)

Auditor and disclosure of information to the auditor

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

A resolution to re-appoint Chantrey Vellacott DFK LLP as the auditor for the ensuing year will be proposed at the Annual General Meeting of the Company in accordance with section 489 of the Companies Act 2006

Approved by the Board of Directors and signed by order of the Board



B D Bartman
Director
2 April 2012



Minoan Group Plc

Independent Auditor's 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 period ended 31 October 2011 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company balance sheets, the consolidated and company cash flow statements and the 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 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and the auditor

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 group's and the parent 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 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 implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2011 and of the group's loss for the period then ended,

Minoan Group Plc

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

Opinion on financial statements (continued)

- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - project in Crete

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Chairman's Statement, the Directors' Report and in note 1 to the financial statements concerning the uncertainty regarding the group's ability to secure detailed planning consents and project finance in order to bring its project in Crete to fruition

The financial statements do not include any adjustments to the carrying value of property, plant and equipment, inventories and goodwill that would result if the group was unsuccessful in this regard

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 is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following where under the Companies Act 2006 we are required to report to you if, in our opinion

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

Chantrey Vellacott DFK LLP

Ian Staunton (Senior Statutory Auditor)

for and on behalf of CHANTREY VELLACOTT DFK LLP

Chartered Accountants and Statutory Auditor

LONDON

2 April 2012

Minoan Group Plc

Consolidated Statement of Comprehensive Income 13 months ended 31 October 2011

	Note to the Accounts	13 months ended 31 10 11 £'000	Year ended 30 09 10 £'000
Sales/commission		7,388	-
Cost of sales		6,405	-
Gross profit		983	-
Operating expenses		(1,407)	(726)
Exceptional costs related to acquisitions, including AIM admission	3,4	(842)	-
Charge in respect of share based payments	17	(349)	(535)
Loss before taxation	3,4	(1,615)	(1,261)
Taxation expense	5	-	-
Loss for period attributable to equity holders of the Company		(1,615)	(1,261)
Loss per share attributable to equity holders of the Company	6	(1.77)p	(1.77)p

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Statements of Changes in Equity 13 months ended 31 October 2011

Consolidated

13 months ended 31 October 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2010	13,768	21,753	9,349	(9,122)	35,748
Loss for the period	-	-	-	(1,615)	(1,615)
Net proceeds from shares issued	286	3,056	-	-	3,342
Share based payments	-	-	-	349	349
Balance at 31 October 2011	14,054	24,809	9,349	(10,388)	37,824

Year ended 30 September 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2009	13,635	20,056	9,349	(8,396)	34,644
Loss for the year	-	-	-	(1,261)	(1,261)
Net proceeds from shares issued	133	1,697	-	-	1,830
Share based payments	-	-	-	535	535
Balance at 30 September 2010	13,768	21,753	9,349	(9,122)	35,748

Company

13 months ended 31 October 2011

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2010	13,768	21,753	3,781	39,302
Loss for the period	-	-	(1,007)	(1,007)
Net proceeds from shares issued	286	3,056	-	3,342
Share based payments	-	-	349	349
Balance at 31 October 2011	14,054	24,809	3,123	41,986

Year ended 30 September 2010

	Share capital £ 000	Share premium £'000	Retained earnings £ 000	Total equity £ 000
Balance at 1 October 2009	13,635	20,056	3,306	36,997
Profit for the year	-	-	(60)	(60)
Net proceeds from shares issued	133	1,697	-	1,830
Share based payments	-	-	535	535
Balance at 30 September 2010	13,768	21,753	3,781	39,302

Minoan Group Plc

Consolidated Balance Sheet as at 31 October 2011

	Note to the Accounts	31.10.11 £'000	30.09.10 £'000 Restated
Assets			
Non-current assets			
Intangible assets	7	6,477	3,573
Property, plant and equipment	8	20,782	19,992
Investments	9	378	-
Total non-current assets		27,637	23,565
Current assets			
Inventories	10	15,652	14,904
Receivables	11	342	38
Cash and cash equivalents		509	71
Total current assets		16,503	15,013
Total assets		44,140	38,578
Equity			
Share capital	14	14,054	13,768
Share premium account		24,809	21,753
Merger reserve account		9,349	9,349
Retained earnings		(10,388)	(9,122)
Total equity		37,824	35,748
Liabilities			
Current liabilities	12	6,316	2,830
Total liabilities		6,316	2,830
Total equity and liabilities		44,140	38,578

The financial statements on pages 10 to 43 were approved and authorised for issue by the Board of Directors on 2 April 2012

Signed on behalf of the Board of Directors



B D Bartman
Director

Minoan Group Plc

Company Balance Sheet as at 31 October 2011

	Note to the Accounts	31.10.11 £'000	30 09 10 £ 000
Assets			
Non-current assets			
Investments	9	24,266	21,736
Total non-current assets		24,266	21,736
Current assets			
Receivables	11	19,555	18,080
Cash and cash equivalents		12	1
Total current assets		19,567	18,081
Total assets		43,833	39,817
Equity			
Share capital	14	14,054	13,768
Share premium account		24,809	21,753
Retained earnings		3,123	3,781
Total equity		41,986	39,302
Liabilities			
Current liabilities	12	1,847	515
Total liabilities		1,847	515
Total equity and liabilities		43,833	39,817

Company registration number: 3770602

The financial statements on pages 10 to 43 were approved and authorised for issue by the Board of Directors on 2 April 2012

Signed on behalf of the Board of Directors



B D Bartman
Director

Minoan Group Plc

Consolidated Cash Flow Statement 13 months ended 31 October 2011

	Note to the Consolidated Cash Flow Statement	13 months ended 31.10.11 £'000	Year ended 30 09 10 £'000
Cash flows from operating activities			
Net cash used in continuing operations	1	(812)	(1,334)
Net cash used in operating activities		(812)	(1,334)
Cash flows from investing activities			
Acquisitions of subsidiary companies		(1,061)	-
Cash acquired with subsidiary companies		1,407	-
Purchase of property, plant and equipment		(565)	(4)
Net cash used in investing activities		(219)	(4)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares		1,469	1,271
Net cash generated from financing activities		1,469	1,271
Net increase/(decrease) in cash		438	(67)
Cash at beginning of period		71	138
Cash at end of period	2	509	71

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Notes to the Consolidated Cash Flow Statement 13 months ended 31 October 2011

1 Cash flows from operating activities

	13 months ended 31 10.11 £'000	Year ended 30 09 10 £'000
Loss before taxation	(1,615)	(1,261)
Depreciation	18	15
Exchange gain relevant to property, plant and equipment	(5)	(1)
Increase in inventories	(748)	(891)
Share based payments	349	535
Increase in receivables	(32)	(2)
Increase/(decrease) in current liabilities	1,096	(291)
Non cash movement in current liabilities	125	562
Net cash outflow from continuing operations	(812)	(1,334)

2 Reconciliation of net cash flow to net funds

	13 months ended 31.10.11 £'000	Year ended 30 09 10 £'000
Increase/(decrease) in cash in period	438	(67)
Cash at beginning of period	71	138
Cash at end of period	509	71

Minoan Group Plc

Company Cash Flow Statement 13 months ended 31 October 2011

	Note to the Company Cash Flow Statement	13 months ended 31.10 11 £'000	Year ended 30 09 10 £'000
Cash flows from operating activities			
Net cash used in continuing operations	1	(676)	(1,181)
Taxation expense		-	(187)
Net cash used in operating activities		(676)	(1,368)
Cash flows from investing activities			
Investment in subsidiary companies		(782)	(3)
Net cash used in investing activities		(782)	(3)
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares		1,469	1,271
Net cash generated from financing activities		1,469	1,271
Net increase/(decrease) in cash		11	(100)
Cash at beginning of period		1	101
Cash at end of period	2	12	1

Minoan Group Plc

Notes to the Company Cash Flow Statement 13 months ended 31 October 2011

1 Cash flows from operating activities

	13 months ended 31 10.11 £'000	Year ended 30 09 10 £'000
(Loss)/profit before taxation	(1,007)	125
Decrease in inventories	-	76
Share based payments	349	535
(Increase)/decrease in receivables	(1,475)	7,542
Non cash movement in receivables	-	(10,000)
Increase/(decrease) in current liabilities	1,332	(21)
Non cash movement in current liabilities	125	562
Net cash outflow from continuing operations	(676)	(1,181)

2 Reconciliation of net cash flow to net funds

	13 months ended 31.10.11 £'000	Year ended 30 09 10 £'000
Increase/(decrease) in cash in period	11	(100)
Cash at beginning of period	1	101
Cash at end of period	12	1

Minoan Group Plc

Notes to the Accounts 13 months ended 31 October 2011

1 Accounting policies

These consolidated financial statements are prepared in accordance with EU adopted International Financial Reporting Standards ("IFRS") and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods represented, unless otherwise stated.

At the date of authorisation of these financial statements, the following Standards, which have not been applied, were in issue but not yet effective (and, in some cases, had not yet been adopted by the EU)

IAS 1 Financial Statement Presentation - Presentation of items of Other Comprehensive Income, effective for annual periods beginning on or after 1 July 2012

IAS 19 Employee Benefits (Amendment), effective for annual periods beginning on or after 1 January 2013

IAS 27 Separate Financial Statements (as revised in 2011), effective for annual periods beginning on or after 1 January 2013

IFRS 9 Financial Instruments Classification and Measurement, effective for annual periods beginning on or after 1 January 2013

IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after 1 January 2013

IFRS 11 Joint Arrangements, effective for annual periods beginning on or after 1 January 2013

IFRS 12 Disclosure of Involvement with Other Entities, effective for annual periods beginning on or after 1 January 2013

IFRS 13 Fair Value Measurement, effective for annual periods beginning on or after 1 January 2013

It is not practicable to provide a reasonable estimate of the effect of these Standards until a detailed review has been completed.

Going concern

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

The directors have considered the financial and commercial position of the Group in relation to its project in Crete (the "Project") and also in respect of its travel and leisure ("T&L") business. In particular, the directors have reviewed the matters referred to below.

The Company has now submitted its formal application for the Project to qualify as a strategic investment and to be eligible for inclusion under the provisions of the Fast Track Law, the new permitting process approved by the Greek Government. The Project masterplan is for the creation of a smaller, higher quality, fully sustainable development than previously.

As has been the case in the past, the Group continues to raise capital in order to meet its existing working capital requirements and the directors consider that any necessary funds will be raised as required.

With the first acquisitions in the planned expansion of its T&L business having been completed, the Group is now in a position to generate profits and cash flow within this sector of its activities.

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

1 Accounting policies (continued)

Going concern (continued)

Having taken these matters into account, the directors consider that the going concern basis of preparation of the financial statements is appropriate

Basis of accounting

The financial statements are prepared under the historical cost convention

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006

The Company's loss before taxation for the period ended 31 October 2011 was £1,007,000 (year ended 30 September 2010 Profit - £125,000) The profit for the year ended 30 September 2010 includes interest receivable from Loyalward Limited in respect of the inter-company account with that company in the amount of £803,000 No interest has been charged thereon in the period ended 31 October 2011

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries as at 31 October 2011 The Group's policy is to consolidate the income of subsidiaries acquired in the period from the date of acquisition to the Group's next accounting reference date The financial statements of Loyalward Hellas S A , the Company's Greek subsidiary, are consolidated using the currency exchange rate ruling at the period end

Critical accounting estimates and judgements

The preparation of the financial statements in accordance with generally accepted financial accounting principles requires the directors to make critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes The estimates and assumptions that have a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial period are discussed below

- in capitalising the costs directly attributable to the Project (see property, plant and equipment and inventories below), and continuing to recognise goodwill, the directors are of the opinion that the Project will be brought to fruition and that the carrying value of property, plant and equipment, inventories and goodwill is reasonable,
- in reallocating certain of the costs of the Project to date and at the prior year end from inventories to property plant and equipment, the directors have distinguished between those costs incurred on acquiring, maintaining and protecting the Group's acquisition of its interest and those costs incurred on the development of that interest, and have allocated specific costs where identifiable and a proportion of the remaining costs which the directors believe reflects the actual time spent
- in calculating the charge in respect of share based payments (see below) at each grant date and balance sheet date the directors are required to consider the vesting conditions of the awards made under the Company's Long Term Incentive Plan

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

1 Accounting policies (continued)

Inventories

Inventories represents, in the main, costs of goods and services directly attributable to the Project and is stated at the lower of cost and net realisable value

Investments

Listed investments are stated at market value. These investments are not held for trading and are therefore shown as financial assets available for sale. Other investments are stated at cost less any impairment deemed necessary. Any gains or losses on investments will be taken to the statement of changes in equity.

Goodwill

Goodwill is tested annually for impairment. In particular, the directors have considered the current value of the Group's interest in the Project and its progress and are of the opinion that the Project site has longer term value in excess of the carrying value of non-current assets and inventories. The directors' opinion of the current value also takes into account the estimate dated 27 June 2011 of the development value of the Project site in the order of €100 million as included in the Company's AIM admission document published on 30 September 2011.

In addition, the directors are of the opinion that the projected value of the travel and leisure businesses acquired is in excess of the value of the amount of goodwill attributable to them. This opinion is arrived at on the basis of the good names of the businesses acquired and the fact that the establishment of business clusters affords the Company the opportunity to realise certain economies of scale thus improving cash flow and profitability.

Goodwill arising from acquisitions has been recognised as an asset (see note 7).

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 income statement.

Property, plant and equipment

Certain costs in respect of the Project to date and at the prior year end have been reallocated from inventories to property, plant and equipment in order to better reflect the Group's long term commitment to its investment in Crete.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided in order to write off each asset over its estimated useful life, as follows:

The Project	over the life of the asset from contract activation
Freehold land	capital cost not depreciated
Acquisition costs of land	3 years
Freehold property	50 years
Plant and equipment	3 to 5 years
Fixtures and fittings	3 years
Motor vehicles	3 to 5 years

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

1 Accounting policies (continued)

Property, plant and equipment (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The directors consider that the book values of non-current assets do not differ materially from the market values.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

Trade and other payables

Trade and other payables are recognised initially at fair value.

Leasing commitments

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Sales/commission

Sales/commission represents commission and other earnings attributable to the Group for the provision of services and is recognised on receipt of final balance due.

Share based payments

The Group has a Long Term Incentive Plan ("LTIP") in which any director or employee selected by the remuneration committee may participate. Awards under the LTIP have been granted on the basis that certain performance conditions will be met.

The Company has also granted options to purchase Ordinary Shares of 1p each.

A charge has been made in the consolidated income statement in respect of the LTIP and options using the Black-Scholes and Monte Carlo fair value pricing models as appropriate and charged over the vesting periods. This charge does not involve any cash payment.

Pensions

Loyalward Limited operates a stakeholder pension scheme for its employees.

King World Travel Limited and John Semple Travel Limited each operate a defined contribution pension scheme. Contributions payable to the pension schemes are charged to the income statement in the period to which they relate.

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

1 Accounting policies (continued)

Taxation

Current taxes, where applicable, are based on the results shown in the financial statements and are calculated according to local tax rules using tax rates enacted, or substantially enacted, by the balance sheet date and taking into account deferred taxation. Deferred tax is computed using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted rates and laws that will be in effect when the differences are expected to reverse. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will arise against which the temporary differences will be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities arising in the same tax jurisdiction are offset.

The Group is entitled to a tax deduction for amounts treated as compensation on exercise of certain employee share options under each jurisdiction's tax rules. As explained under 'Share-based payments' above, a compensation expense is recorded in the Group's income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the compensation expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity against retained earnings.

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

2 Information regarding directors and employees

Directors' and key management remuneration

	Costs taken to inventories £'000	Costs taken to the income statement £'000	Total £'000
13 months ended 31 October 2011			
Fees	-	498	498
Sums charged by third parties for directors' services	354	65	419
Share based payments (note 17)	-	337	337
	354	900	1,254
Year ended 30 September 2010			
Fees	-	284	284
Sums charged by third parties for directors' services	432	60	492
Share based payments (note 17)	-	483	483
	432	827	1,259

Of the total directors' remuneration shown above, £Nil (year ended 30 September 2010 £102,000) has been settled in shares. These amounts include £Nil (year ended 30 September 2010 £101,000*) in respect of the services of the chairman. These amounts are in addition to the charge in respect of share based payments.

The total directors' remuneration shown above includes the following amounts in respect of the directors of the Company.

	13 months ended 31 October 2011		Year ended 30 September 2010	
	Fees/Sums charged by third parties	Share based payments	Fees/Sums charged by third parties	Share based payments
	£'000	£'000	£'000	£'000
C W Egleton (Chairman)	255	254	297*	318
D C Wilson	246	15	141	12
B D Bartman	65	22	60	37
G D Cook	27	-	25	15
T R C Hill	35	28	39	49
G T Brown	-	-	63	-
	628	319	625	431

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

2 Information regarding directors and employees (continued)

Directors' interests in the Company's LTIP and share options are shown in note 17

Staff costs during the period (including directors and key management)

	Costs taken to inventories £'000	Costs taken to the income statement £'000	Total £'000
13 months ended 31 October 2011			
Salaries and fees	33	931	964
Social security cost	9	90	99
Share based payments (note 17)	-	337	337
	42	1,358	1,400
Year ended 30 September 2010			
Salaries and fees	40	284	324
Social security cost	11	35	46
Share based payments (note 17)	-	483	483
	51	802	853

Note Staff costs exclude sums charged by third parties for directors' services

	13 months ended 31 10 11 No	Year ended 30 09 10 No
Average number of persons employed		
Sales and administration	91	11

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

3 Loss before taxation

The loss before taxation is stated after charging

	13 months ended 31.10.11 £'000	Year ended 30 09 10 £'000
Depreciation	18	15
Auditor's remuneration		
Audit fees	32	20
Tax services	3	2

The costs in respect of the Company's re-admission to AIM amount to £317,000 and are included in the exceptional costs related to acquisitions. Included in the costs in respect of the Company's re-admission to AIM is an amount of £46,000 in respect of non-audit work carried out by the Company's auditor.

Audit fees in respect of the Company were £10,000 (year ended 30 September 2010 £10,000). Tax services fees in respect of the Company were £1,125 (year ended 30 September 2010 £1,000).

4 Segmented information

For management purposes, commencing for the first time in the current period, the Group is organised into two divisions:

the luxury resorts division, currently being the development of a luxury resort in Crete, and

the travel and leisure division, being the operation and management of travel businesses.

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

4 Segmented information (continued)

The information presented below is consistent with how information is presented to the Board, with the accounting policies set out in note 1 above and with the geographical location of the relevant sections. For the purposes of presentation the central administration costs of the Group continue to be allocated to its original business, the luxury resort

	13 months ended 31 October 2011		
	Luxury Resorts £'000	Travel and Leisure £'000	Total £'000
Results			
Sales/commission	-	7,388	7,388
Cost of sales	-	6,405	6,405
Gross profit	-	983	983
Operating expenses	(578)	(829)	(1,407)
Charge in respect of share based payments	(349)	-	(349)
(Loss)/profit before exceptional costs	(927)	154	(773)
Exceptional costs related to acquisitions, including AIM admission	-	(842)	(842)
Loss before taxation	(927)	(688)	(1,615)
Operating expenses include:			
Depreciation	14	4	18
Assets/liabilities			
Non-current assets	26,885	752	27,637
Current assets	15,810	693	16,503
Total assets	42,695	1,445	44,140
Current liabilities	4,780	1,536	6,316

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

5 Taxation expense

Consolidated

(a) Analysis of taxation expense for the period

	31 10.11 £'000	30 09 10 £'000
UK corporation tax at 27% (2010 28%)	-	-

(b) Factors affecting taxation expense for the period

	31 10.11 £'000	30 09 10 £'000
Loss before tax	(1,615)	(1,261)
Tax on ordinary activities multiplied by the standard rate in the UK of 27% (2010 28%)	(435)	(353)
Effects of		
Expenses not deductible for tax purposes	115	152
Other timing differences	52	-
Increase in tax losses	268	-
Effect of movement on deferred tax not recognised	-	201
Taxation expense for the period	-	-

Taxation losses carried forward appear in note 13

6 Loss per share

Earnings per share are calculated by dividing the earnings attributable to the equity holders of a company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share are calculated by adjusting basic earnings per share to assume the conversion of all dilutive potential ordinary shares. There are no dilutive instruments in issue, 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 period ended 31 October 2011 was 91,103,126 (year ended 30 September 2010 71,458,212).

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

7 Intangible assets

	Goodwill	
	13 months ended 31.10 11	Year ended 30 09 10
Consolidated	£'000	£'000
At beginning of period	3,573	3,573
Additions (see below)		
King World Travel Limited	672	-
John Semple Travel Limited	2,232	-
At end of period	6,477	3,573

On 15 September 1999 the 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. In accordance with IFRS, with effect from 31 March 2006 goodwill has not been amortised.

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 was 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. The directors have assessed the recoverable amount of the Project as being greater than the combined carrying value of the goodwill, property plant and equipment and inventories at 31 October 2011 (see also note 1 above).

	Goodwill on acquisitions	
	King World Travel Limited £,000	John Semple Travel Limited £,000
Fixed assets	8	230
Goodwill (included in additions in above table)	-	350
Current assets	1,033	746
Total assets	1,041	1,326
Current/non-current liabilities	(1,302)	(1,088)
Total net assets	(261)	238
Consideration:		
Cash	361	700
Loan notes	-	820
Shares	50	600
	411	2,120
Goodwill	672	1,882

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

7 Intangible assets (continued)

The goodwill arising on the acquisition of King World Travel Limited and John Semple Travel Limited represents the difference between the total net assets of those companies on the respective dates of acquisition and the consideration paid (see also note 1 above)

Included in the loss before taxation in the Consolidated Statement of Comprehensive Income, is a profit of £129,000 in respect of the combined acquisitions from the date of acquisition to 31 October 2011

The net profit before taxation of the combined acquisitions for the 13 months ended 31 October 2011 was £250,000

8 Property, plant and equipment

13 months ended 31 October 2011

Consolidated	The Project (see note) £,000	Freehold property, land and acquisition costs £'000	Furniture, fittings, plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 October 2010	19,820	194	58	16	20,088
Exchange adjustments	-	4	1	-	5
Acquired with subsidiaries	-	204	63	6	273
Additions	493	-	72	-	565
At 31 October 2011	20,313	402	194	22	20,931
Accumulated depreciation					
At 1 October 2010	-	39	45	12	96
Acquired with subsidiaries	-	7	24	4	35
Provided in year	-	5	8	5	18
At 31 October 2011	-	51	77	21	149
Net book value					
At 31 October 2011	20,313	351	117	1	20,782

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

8 Property, plant and equipment (continued)

Year ended 30 September 2010

Consolidated	The Project (see note) £'000	Freehold land and acquisition costs £'000	Plant and equipment £'000	Motor vehicle £'000	Total £'000
Cost					
At 1 October 2009	-	189	59	16	264
Exchange adjustments	-	(2)	3	-	1
Additions (see note above)	19,820	7	-	-	19,827
Disposals	-	-	(4)	-	(4)
At 30 September 2010	19,820	194	58	16	20,088
Accumulated depreciation					
At 1 October 2009	-	31	42	8	81
Provided in year	-	8	3	4	15
At 30 September 2010	-	39	45	12	96
Net book value					
At 30 September 2010	19,820	155	13	4	19,992

Note

Certain costs in respect of the Project to date and at the prior year end have been reallocated from inventories to property, plant and equipment in order to better reflect the Group's long term commitment to its investment in Crete

The development site is to be leased from the Public Welfare Ecclesiastical Foundation Panagia Akrotiriani ('the Foundation') for an initial 40 year period following contract activation which will follow the relevant authorities approving the land planning and land uses for the Project. 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.

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

9 Investments

13 months ended 31 October 2011

Consolidated	Unlisted £'000	Listed £'000	Total £'000
Cost			
Additions	278	100	378
At 31 October 2011	278	100	378

13 months ended 31 October 2011

Company	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 October 2010	21,736	83	21,819
Additions	2,530	-	2,530
At 31 October 2011	24,266	83	24,349
Impairment			
At 31 October 2011	-	83	83
	-	83	83
Net book value at 31 October 2011	24,266	-	24,266

Year ended 30 September 2010

Company	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 October 2009	11,732	83	11,815
Additions	10,004	-	10,004
At 30 September 2010	21,736	83	21,819
Impairment			
At 30 September 2010	-	83	83
	-	83	83
Net book value at 30 September 2010	21,736	-	21,736

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

9 Investments (continued)

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 S A (8.2% owned by Minoan Group Plc and 91.8% owned by Loyalward Limited) - A company incorporated in Greece engaged in corporate, resort and renewable energy business management in Greece

King World Travel Limited (100%) - A company incorporated in Scotland operating as a retail travel agent, which was acquired on 10 March 2011

John Semple Travel Limited (100%) - A company incorporated in Scotland operating as a multi-faceted retail and online travel agent, which was acquired on 24 October 2011

Stewart Travel Limited (100%) - A company incorporated as Minoan Leisure Limited in Scotland on 27 May 2011, which changed its name to Stewart Travel Limited on 22 February 2012, and acquired a 19.9% interest in the business of Stewart Travel Centre, a partnership operating in Scotland as a multi-faceted travel distributor, on 25 May 2011 (see also note 19)

10 Inventories

Consolidated

Following the reallocation of certain costs related to the Project in Crete between non-current and current assets (notes 1 and 8 above), inventories capitalised at 31 October 2011 amount to £15,652,000 (30 September 2010 £14,904,000), the main elements of which are costs associated with securing the development site in Crete, planning and other design costs

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

11 Receivables

Consolidated	31 10 11	30 09 10
	£'000	£'000
Trade debtors (see below)	114	-
Other debtors and prepayments	133	2
Value added tax recoverable	95	36
	342	38

Trade debtors are receivable in 30 days and are all current

Company	31.10.11	30 09 10
	£'000	£'000
Amounts owed by subsidiary companies (see below)	19,512	18,080
Value added tax recoverable	43	-
	19,555	18,080

Amounts owed by the subsidiary companies have no specific repayment terms

12 Current liabilities

Consolidated	31 10 11	30 09 10
	£'000	£ 000
Trade and other payables	2,394	1,015
Social security and other taxes	148	11
Loans (see note 15)	954	-
Accruals and deferred charges	2,820	1,804
	6,316	2,830

Company	31 10 11	30 09 10
	£'000	£ 000
Trade and other payables	343	7
Group taxation relief	-	187
Amounts owed to subsidiary companies (see below)	292	37
Loans (see note 15)	940	-
Accruals and deferred charges	272	284
	1,847	515

Amounts owed to the subsidiary companies have no specific repayment terms and are interest free

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

13 Deferred taxation

Consolidated

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

	Total potential asset		Amount recognised	
	31 10 11 £'000	30 09 10 £'000	31 10 11 £'000	30 09 10 £'000
Tax effect of timing differences because of				
Accelerated capital allowances	(19)	1	-	-
Other short term timing differences	741	574	-	-
Losses	2,141	1,997	-	-
	<u>2,863</u>	<u>2,572</u>	-	-

The above deferred tax asset is based on a corporation tax rate of 25% (2010 28%)

Company

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

	Total potential asset		Amount recognised	
	31.10.11 £'000	30 09 10 £'000	31.10.11 £'000	30 09 10 £'000
Tax effect of timing differences because of				
Accelerated capital allowances	-	1	-	-
Other short term timing differences	600	574	-	-
Losses	120	-	-	-
	<u>720</u>	<u>575</u>	-	-

The above deferred tax asset is based on a corporation tax rate of 25% (2010 28%)

Following due consideration of the availability of tax losses in relation to future anticipated taxable profits, and in accordance with IAS 12, the deferred tax asset has not been recognised. The deferred tax asset not recognised will be recoverable should there be appropriate future taxable profits.

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

14 Share capital

Consolidated and company	31 10.11 £'000	30 09 10 £'000
Called up, allotted and fully paid		
31 October 2011 - 102,957,139 Ordinary Shares of 1p each	1,029	-
54,148,031 Deferred Shares of 24p each	12,996	-
30 September 2010 - 75,227,447 Ordinary Shares of 1p each		752
54,148,031 Deferred Shares of 24p each	-	12,996
	14,025	13,748
Debt to be settled by the issue of shares (see note 15)		
2,920,000 Ordinary Shares of 1p each (2010: 2,011,905 Ordinary Shares of 1p each)	29	20
	14,054	13,768

The rights attaching to the Ordinary Shares and the Deferred Shares are set out in the Company's Articles of Association, which were approved at the Annual General Meeting held on 29 March 2010

During the period 2,900,000 Ordinary Shares of 1p each were placed at a price of 10 pence per share, 4,733,335 Ordinary Shares of 1p each were placed at 15 pence per share and 2,698,413 Ordinary Shares of 1p each were placed at a price of 15 75 pence per share. Also during the period, 333,333 Ordinary Shares of 1p each were issued at 15 pence per share following the exercise of Warrants. Also during the period, 914,500 Ordinary Shares of 1p each were issued at 10 pence per share, 1,728,573 Ordinary Shares of 1p each were issued at 10 5 pence per share and 6,853,249 Ordinary Shares of 1p each were issued at 15 pence per share all to settle existing commitments. In addition to the above, shares were issued in respect of part, or all, of the considerations to acquire the following King World Travel Limited - 333,334 Ordinary Shares of 1p each were issued at a price of 15 pence per share, Stewart Travel Centre - 1,780,410 Ordinary Shares of 1p each were issued at a price of 15 62 pence per share and John Semple Travel Limited - 5,454,545 Ordinary Shares of 1p each were issued at a price of 11 pence per share

15 Financial instruments and risk management

The Group's financial instruments comprise borrowings, cash and liquid resources and various items such as trade receivables and trade payables 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 year 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)

13 months ended 31 October 2011

15 Financial instruments and risk management (continued)

Interest rate risk

The Group finances its operations through a mixture of equity and borrowings. The Group has historically borrowed in Sterling only. At 31 October 2011 the Group had no non-current liabilities (30 September 2010 Nil).

Liquidity risk

The Group maintains sufficient funds in local currency for operational liquidity. The Board considers liquidity risk at Board meetings through the monitoring of cash levels and detailed cash forecasts. Funding to date has been obtained principally through the issue of equity shares as required, either for cash or in settlement of liabilities. The Group has also issued convertible loans. See note 1 for further information relating to current liquidity and funding risk.

In order to complete the development of the Project, the Group will require substantial additional financing. It is the directors' current intention to develop the Project in such a way as to minimise or eliminate the need for further equity financing. It is intended that this will be achieved through utilising joint venture arrangements and debt project finance.

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 period 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 receivables and payables

Short-term receivables and payables have been excluded from the following disclosures.

Interest rate profile

The Group's liabilities, which are all denominated in sterling, are interest free and due in less than one year are as follows:

	31.10.11	30.09.10
	£'000	£'000
Convertible loans	365	211
Other loans	954	-

Convertible loans to be settled by the issue of shares at 12.5 pence per share have been classified as equity in accordance with IAS 32 (note 14).

During the period £151,000 (year ended 30 September 2010: £Nil) of convertible loans was settled by the issue of shares at 10.5 pence per share and £575,000 (year ended 30 September 2010: £5,000) of convertible loans was settled by the issue of shares at 15 pence per share. During the year ended 30 September 2010 £20,000 of convertible loans was settled by the issue of shares at 10 pence per share (note 14).

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 October 2011 and at 30 September 2010.

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

16 Related party transactions

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

Bizwatch Limited, a company in which J C Watts, a director of Loyalward Limited, owns 50% of the issued share capital and M A Fitch, a director of Loyalward Hellas S A owns 50% of the issued share capital

I H M Industry & Hotel Management Limited, a company in which C Valassakis, a director of Loyalward Limited, is a controlling shareholder

B D Bartman & Co, a firm in which B D Bartman is a partner

Transactions undertaken with these related parties, all of which were effected on an arm's length basis, are shown below

	Services supplied in period ended		Payable as at	
	31.10 11 £'000	30 09 10 £'000	31.10 11 £'000	30 09 10 £'000
Simmons International Limited	255	297	409	364
Bizwatch Limited	79	53	121	46
I H M Industry & Hotel Management Limited	20	18	58	45
B D Bartman & Co	65	60	153	115

There have been no purchases or sales with companies within the Group. The Company's balances outstanding with other Group companies are shown below

	(Receivable)/Payable as at 31 10.11 £'000	(Receivable)/Payable as at 30 09 10 £'000
Loyalward Limited	(19,184)	(18,080)
Minoan Leisure Limited	(278)	-
King World Travel Limited	(50)	-
John Semple Travel Limited	255	-
Loyalward Leisure Plc	37	37

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

17 Long term incentive plan, share options and warrants

Share based payments charge

	<u>£'000</u>
13 months ended 31 October 2011	
Share based payments - directors	337
Share based payments - other	12
	<u>349</u>
Year ended 30 September 2010	
Share based payments - directors	483
Share based payments - other	52
	<u>535</u>

Note The share based payments charge in respect of directors in the period includes an amount of £43,000 which is the incremental fair value due to the modification of the Group's Long Term Incentive Plan ("LTIP") as approved by the Company's shareholders (see below)

Under the terms of the LTIP any director or employee selected by the remuneration committee may participate Awards under the LTIP have been granted on the basis that certain performance conditions will be met

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

17 Long term incentive plan, share options and warrants (continued)

Share based payments charge (continued)

The performance conditions are as follows

Performance condition A

The achievement of any one of the following

- (i) An investment by an investor or group of investors acting in concert in (a) 15% or more of the enlarged issued ordinary share capital of Minoan Group Plc or (b) 25% or more of the issued ordinary share capital of Loyalward Limited or (c) 25% or more of Loyalward Limited's current project in Crete, or
- (ii) The acquisition, for a consideration exceeding £250,000, of a business in the tourism and leisure sector which is both profitable and has a positive cash flow, or
- (iii) The formation or acquisition of a business in the renewable energy sector which has a positive trading cash flow, or
- (iv) The receipt by Loyalward Limited of unappealable approval from the Greek Government for its current project in Crete, in existing or amended form

Performance condition B

The Group achieves a consolidated profit at EBITDA level (ignoring any charge in respect of share based payments) for a six month accounting period

Performance condition C

The price of an ordinary share of Minoan Group Plc remains at an average price of 50 pence or above for ten consecutive trading days on AIM or a recognised stock exchange

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

17 Long term incentive plan, share options and warrants (continued)

Share based payments charge (continued)

At a General Meeting of the Company, held on 23 December 2010, the shareholders gave approval to amend the number of shares available to be awarded under the LTIP to a maximum of 8,400,000 Ordinary Shares of 1p each

The following awards have been granted with an expiry date of 26 April 2017

	Performance condition A	Performance condition B	Performance condition C
	Maximum number of Ordinary Shares exercisable at 15 pence	Maximum number of Ordinary Shares exercisable at 15 pence	Maximum number of Ordinary Shares exercisable at 15 pence
C W Egleton	1,400,000	1,400,000	1,400,000
D C Wilson	1,000,000	1,000,000	1,000,000
B D Bartman	130,000	130,000	130,000
T R C Hill	150,000	150,000	150,000
W C Cole (director Loyalward Limited)	120,000	120,000	120,000
	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,800,000</u>

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

17 Long term incentive plan, share options and warrants (continued)

Share based payments charge (continued)

The charge made for the value of the LTIP and options has been calculated using the Black-Scholes and Monte Carlo pricing models as appropriate. As stated previously, the charge does not involve any cash payment.

The inputs into the option pricing model are as follows:

	LTIP	Options
Grant date	26 April 2007 to 1 March 2011	10 March 2011 to 24 May 2011
Share price at grant date	15.88p	15.75p to 15.88p
Exercise price	15p	15p to 16p
Vesting periods	In accordance with performance conditions	Immediately
Expected volatility	21.3% to 51.74%	51.74%
Option life	6.2 years	1.6 to 3 years
Expected life	3 years	n/a
Risk free rate	1.85% to 5.18%	0.86% to 1.79%
Expected dividends expressed as dividend yield	nil	nil
Possibility of employment ceasing prior to vesting	0%	n/a
Fair value of options	6.08p to 76.7p	4.1p to 6.0p

Expected volatility for the LTIP is determined by calculating the historic volatility of the Group's share price over the previous two years. Expected volatility for the options is determined by calculating the historic volatility of the Group's share price over the previous two years. The expected life of the LTIP is the average expected period to exercise. The risk free rate is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

Minoan Group Plc

Notes to the Accounts (continued) 13 months ended 31 October 2011

17 Long term incentive plan, share option and warrants (continued)

Directors' interests in share options

	Exercise price	Number of Ordinary Shares		Expiry date
		31 10 11	30 09 10	
Options				
B D Bartman	15p	200,000	200,000	31/12/12
W C Cole (director Loyalward Limited)	15p	500,000	500,000	31/12/12
W C Cole (director Loyalward Limited)	16p	100,000	-	31/12/12
G D Cook	15p	250,000	250,000	31/12/12
C W Egleton	15p	500,000	500,000	31/12/12
C W Egleton	15p	400,000	400,000	31/12/12
T R C Hill	15p	300,000	300,000	31/12/12
D C Wilson	15p	200,000	200,000	31/12/12
		2,450,000	2,350,000	

Other share options

The following additional options to purchase shares in the Company have been granted

	Number of Ordinary Shares		Expiry date
	31 10.11	30 09 10	
Exercisable at 60 pence per share	3,318,000	3,318,000	See note
Exercisable at 15 pence per share	915,000	915,000	31/12/12
Exercisable at 15 pence per share	200,000	-	09/03/14
	4,433,000	4,233,000	

Note

The expiry date of these options is 90 days after certain valid building licences and permits have been granted

Warrants

The following warrants to subscribe for shares in the Company have been granted

	Number of Ordinary Shares		Expiry date
	31 10.11	30 09 10	
Exercisable at 15 pence per share	975,002	-	31/12/12

Minoan Group Plc

Notes to the Accounts (continued)

13 months ended 31 October 2011

18 Contingent liabilities and commitments

The directors have identified contingent liabilities and commitments totalling £3,902,000 as at 31 October 2011 (30 September 2010 £3,902,000) comprising the following

Upon contract activation £3,902,000 will become due to the Foundation to meet the balance of the initial consideration payable in respect of the development site

The Company has no other capital or operating commitments

19 Events after the balance sheet date

- 1 On 17 February 2012 the Company announced that it had placed 4,031,000 Ordinary Shares of 1p each at a price of 5.5 pence per share and agreed to issue 2,000,000 Ordinary Shares at a price of 7.5 pence per share. In addition, the Company granted options to subscribe for up to 201,550 Ordinary Shares at a price of 5.5 pence per share. The options will expire on 16 February 2015.
- 2 On 15 March 2012 the Company announced the acquisition of the assets and business of Stewart Travel Centre by Stewart Travel Limited and the terms thereof.