

Indian Restaurants Group plc (“Indian Restaurants Group” or the “Group”)

Preliminary results for the year ended 30 September 2008

27 March 2009

Chairman’s Statement

I am pleased to report Indian Restaurant Group’s (“IRGP” or the “Group”) preliminary results for the year ended 30 September 2008. These financial results are for the enlarged Group following the acquisition of the Mela Group in February 2008.

These financial statements have been prepared for the first time for the Group under the International Financial Reporting Standards (“IFRS”). There has been no material impact as a result of the introduction of IFRS.

The Group generated revenues of £1.54 million in the year to 30 September 2008 and made a loss before tax of £0.49 million, compared with a loss before tax of £0.26 million in the previous period. Loss per share for the year amounted to 4.2 pence, compared with a loss of 2.8 pence per share in the previous year. As at 30 September 2008 the Group had net assets of £2.79 million, versus £2.42 million for the previous year. The cash position for the Group at the year-end stood at £1.37 million.

The first steps to transform the Group into a successful restaurant business took place in the year with the acquisition of the Mela Group of restaurants, which has provided a combination of excitement and challenges. We completed the acquisition in February 2008 of Mela Group, with its three London restaurants and two established formats (Mela and Chowki) and an Events Catering Unit. The acquisition provided an attractive and unique platform from which to build a chain of Indian restaurants across various locations offering authentic, home-style Indian food on a consistent basis coupled with good customer service.

Following the acquisition, the UK economy started to slow down significantly, which has created an increasingly difficult environment for consumer-focused businesses. The macro-economic situation has clearly had an impact on consumer confidence with discretionary spending coming under pressure. This resulted in a slow start to the year 2008 as we indicated in our interim financial report for the six month period to 31 March 2008. Due to various factors, including the weakness of sterling, our Group has had to face the substantial increased cost of fresh produce including vegetables and ingredients, higher utility costs and also higher staff costs.

We believe passionately in our product and service, and therefore the Board has chosen not to compromise with regard to fresh produce and has not sourced cheaper produce as it strongly believes that this course of action would be likely to be damaging to the business in the future. Despite investing funds and resources in refurbishing our 3 Monkeys restaurant (based in Herne Hill, south London) to the Mela brand, we have not seen the expected improvement in sales and therefore are continuing to monitor the performance at this unit very carefully. We are currently evaluating our options for the restaurant.

To counter the tough trading environment we decided to make significant investments in marketing activities with a view to gaining a better understanding of our customers and to help us improve our product offering and service as part of the strategic strengthening of our

focus on the brand development framework for both Mela and Chowki. This strategic brand assessment was initiated with a focus on a number of points including:

- Further development and investment into the Mela and Chowki brand categories so that they could be enhanced for expansion
- Enhancing the core products so that we can encourage more frequent customer visits and also development of lighter lunchtime options
- Standardising a design template for new site expansion

The initial feedback from the brand development from our customers has been positive, but it is clearly early days and the results will be measured over a period of time.

To mitigate the impact of the economic climate, coupled with the downturn in consumer spend, we embarked on a range of promotional activities including two-for-one offers and internet-based discount coupons, which have produced varied results. Overall the promotional activities have helped us to maintain our sales but clearly they do impact negatively on profit margins. The competitive landscape is changing, with very strong discount offers from other restaurant operators and in order to retain and grow our customer base we will need to continue the promotional offers in line with our competitors.

During 2008, the Company provided outdoor catering under the Mela brand at a number of well-recognised events such as cricket, horse racing, air shows and car rallying. As the year progressed we restricted our attendance to a select number of events as it became very clear that the inherited events calendar had not focused on profitability. We are hopeful that refocusing the calendar will improve the financial performance of our event catering activities in 2009.

In a difficult trading environment and a declining economy, we have had to adopt a cautious approach to expansion. In particular we have focused our new site expansion on London and the M25 area, in locations with low premiums and rents. Based on this strategy, we finalised the agreement to open a new site in Redhill, Surrey, post the year-end. Mela Redhill commenced operations in December 2008 and has been well received by the local community.

The Group, in association with national charities, has arranged special events at our restaurants and these events have raised several thousand pounds for charity. We recently hosted charity events for The Children's Trust and also for Shelter, the housing and homelessness charity.

On behalf of the Board, I would like to express my sincere thanks to all our Group employees across our four restaurants who work hard and tirelessly to provide good quality, authentic Indian food with an excellent service to match. The commitment and experience of our management and staff inevitably creates a better Indian dining experience for our customers.

Outlook

We are keenly focused on effectively managing the Group through the current, challenging economic conditions and believe that each of our brands offers outstanding and competitive

value to the increasingly discerning Indian food consumer. We will continue to make adjustments to menu offerings and to our promotional activities with the objective of growing our business.

Whilst we have adopted a cautious approach to expansion in the light of current conditions, we continue to believe in the outstanding medium-term potential of rolling out a chain of branded Indian restaurants in the UK.

Haresh Kanabar

Chairman

27 March 2009

For further information:

Indian Restaurants Group Plc

Tel: 020 7297 0010

Haresh Kanabar, Chairman

Amit Pau, Chief Executive

W.H. Ireland Limited

Tel: 0121 265 6330

Tim Cofman/Katy Birkin

Buchanan Communications

Tel: 020 7466 5000

Mark Court

Indian Restaurants Group Plc

Consolidated Income Statement

for the year ended 30 September 2008

Year ended	Year ended
30	30
September	September

		2008	2007
	Note	£'000	£'000
Revenue		1,540	-
Cost of sales		(316)	-
		<hr/>	<hr/>
Gross profit		1,224	-
Administrative expenses		(1,808)	(407)
		<hr/>	<hr/>
Operating loss		(584)	(407)
Finance income		117	144
Finance costs		(25)	-
		<hr/>	<hr/>
Loss on ordinary activities before tax		(492)	(263)
Tax expense		-	-
		<hr/>	<hr/>
Loss for the year		(492)	(263)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share			
Basic and diluted		(4.2p)	(2.8p)
		<hr/> <hr/>	<hr/> <hr/>

Indian Restaurants Group Plc
Consolidated Balance Sheet
as at 30 September 2008

		As at 30 September 2008	As at 30 September 2007
	Notes	£'000	£'000
ASSETS			

Non-current assets

Goodwill	2,137	-
Property, plant and equipment	480	-
	<hr/>	<hr/>
	2,617	-

Current assets

Inventories	26	-
Trade and other receivables	318	28
Cash and cash equivalents	1,372	2,538
	<hr/>	<hr/>
	1,716	2,566

LIABILITIES**Current liabilities**

Trade and other payables	(720)	(142)
Financial liabilities - borrowings	(420)	-
	<hr/>	<hr/>
	(1,140)	(142)

Net current assets

576 2,424

Non-current liabilities

Financial liabilities - borrowings	(407)	-
	<hr/>	<hr/>

NET ASSETS

2,786 2,424

SHAREHOLDERS' EQUITY

Called up share capital - equity	1,308	948
Share premium account	3,451	2,991
Share based payments reserve	133	99
Retained earnings	(2,106)	(1,614)
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TOTAL EQUITY	2,786	2,424
	=====	=====

Indian Restaurants Group Plc

Consolidated Cash Flow Statement

for the year ended 30 September 2008

	Note	Year ended 30 September 2008	Year ended 30 September 2007
		£'000	£'000
Operating loss		(584)	(407)
Depreciation of property, plant and equipment		108	1
Loss on disposal of property, plant and equipment		10	-
Share based payments		34	48
Decrease in inventories		1	-
Decrease/(increase) in trade and other receivables		50	(4)
Decrease in trade and other payables		(272)	(7)
		-----	-----
Cash flows from operating activities		(653)	(369)
 Cash flows from investing activities			
Purchase of property, plant and equipment		(95)	-
Acquisition of subsidiary, including overdraft acquired		(503)	-
Interest received		117	144
		-----	-----
Net cash used in investing activities		(481)	144
		-----	-----
 Cash flows from financing activities			
Share issue costs		(129)	

Repayment of bank loans	(67)	-
Income tax paid	(22)	-
Interest paid	(25)	
	_____	_____
Net cash used in financing activities	(243)	-
	_____	_____
Decrease in cash and cash equivalents	(1,377)	(225)
Cash and cash equivalents at start of year	2,538	2,763
	_____	_____
Cash and cash equivalents at end of year	1,161	2,538
	=====	=====

Indian Restaurants Group Plc

Consolidated Statement of Changes in Equity

for the year ended 30 September 2008

	Share capital - equity	Share premium	Share based payments reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 October 2006	948	2,991	51	(1,351)	2,639
Share based payments	-	-	48	-	48
Loss for the year attributable to equity interests	-	-	-	(263)	(263)
	_____	_____	_____	_____	_____
At 1 October 2007	948	2,991	99	(1,614)	2,424
Shares issued in the year	360	589	-	-	949
Share based payments	-	-	34	-	34
Expenses on issue of shares	-	(129)	-	-	(129)

Loss for the year attributable to equity interests	-	-	-	(492)	(492)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September 2008	1,308	3,451	133	(2,106)	2,786
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Indian Restaurants Group Plc

Notes to the Financial Statements

for the year ended 30 September 2008

1. Basis of preparation

Indian Restaurants Group Plc is a public limited company incorporated and domiciled in United Kingdom. The principal activity of the company is to operate a chain of Indian restaurants. The company's ordinary shares are traded on the AIM market of the London Stock Exchange plc ("AIM").

The registered office of the Company is 5 Fleet Place, London EC4M 7RD.

The group has historically prepared its audited financial statements on the basis of UK generally accepted accounting practice ("UK GAAP"). In the current year the group has adopted International Financial Reporting Standards ("IFRS") for the first time as the group is required to present its annual consolidated financial statements in accordance with accounting standards adopted for use in the European Union including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board. The financial statements include in note 25 reconciliations of the group's equity to IFRS at the date of transition on 1 October 2006 and a comparative balance sheet date at 30 September 2007 and reconciliation of the Group's results for the comparative year ended 30 September 2007.

New Standards and Interpretations

The IASB and IFRIC have issued the following standards and interpretations which were in issue but not in force at 30 September 2008:

International Accounting standards (IAS/IFRSs)

IFRS 2 - Amendments to vesting conditions and cancellations

IFRS 3 - Business combinations (amendments)

IFRS 8 - Operating segments

IAS 1 - Presentation of Financial Statements (revised)

IAS 27 – Consolidated and separate financial statements (amendments)

IAS 23 - Borrowing costs (amendments)

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 12 Service Concession Arrangements

IFRIC 13 Customer Loyalty Programmes

IFRIC 14 IAS 19 Limit on defined benefit asset, minimum funding requirement and their interaction.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect, except for IAS 1 (revised) Presentation of Financial Statements. IAS 1 will have no quantitative effect but may impact disclosure and format that needs to be followed. The directors do not anticipate the early adoption of any of the above standards.

The consolidated financial statements have been prepared under the historical cost basis, and following the implementation of IFRS, the group's accounting policies have been consistently applied to all the periods presented unless otherwise stated. The principal policies are set out below.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company made up to 30 September 2008. The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired is recognised directly in the income statement.

Business combinations

The group adopts the purchase method in accounting for the acquisition of subsidiaries. On acquisition the cost is measured at the fair value of the assets given, plus equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the acquisition. The assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill.

Any deficiency of the fair value of the consideration below the fair value of identifiable net assets acquired is credited to the income statement in the period of the acquisition.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. Inter-company transactions and balances between group companies are eliminated.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies with respect to the carrying amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. The judgements, estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions. Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The judgements, estimates and assumptions which are of most significance to the Group are detailed below:

Goodwill

The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that the amount may be impaired. The impairment analysis for such assets is principally based upon discounted estimated future cash flows based on value in use calculations. Such an analysis includes an estimation of the future anticipated results and cash flows, annual growth rates and the appropriate discount rates.

Valuation of share based payments

The charge for share based payments is calculated in accordance with the methodology described in note 18. The model requires highly subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield and risk-free interest rates.

Segmental Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or

services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary reporting format is by business segment and its secondary format is by geographical segment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is included in intangible assets and is tested annually for impairment or when there is an indication of impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over their expected useful lives, as follows:

Leasehold premises	over the term of the lease
Plant and machinery	15% reducing balance
Fixtures and fittings	15% reducing balance
Motor vehicles	25% reducing balance

Impairment provisions are made where the carrying value of tangible fixed assets exceeds the recoverable amount.

Revenue recognition

Revenue represents the fair value of the consideration received or receivable, net of Value Added Tax, for goods sold and services provided to customers after deducting discounts. Revenue is recognised when the significant risks and rewards of ownership are transferred.

Deferred taxation

Deferred taxation is provided in full using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Leased assets

Expenditure on operating leases is charged to the income statement on a basis representative of the benefit derived from the asset, normally on a straight line basis over the lease period.

Where fixed assets are financed by financing arrangements which give rights approximating to ownership they are treated as if they had been purchased outright at their fair value and the corresponding commitments are shown in the balance sheet as obligations under finance leases and hire purchase contracts. Depreciation of fixed assets acquired under finance leases and hire purchase contracts is calculated to write off the attributed cost over the shorter of the lease or contract term and their estimated useful lives by equal annual instalments. The excess of the total rentals over the amount capitalised is treated as interest which is charged to the profit and loss account in proportion to the amounts outstanding under the lease and hire purchase contracts.

Share based payments

The Company operates an employee share scheme under which it makes equity-settled share based payments to certain employees. For share based payments to employees of the Company, the fair value is determined at the date of grant using a Black Scholes model, and is expensed on a straight line basis together with a corresponding increase in equity over the vesting period, based on the group's estimate of the number of shares that will vest.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid funds with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowing in current liabilities on the balance sheet.

Borrowing costs

All borrowing costs are recognised in the income statement for the period in which they are incurred.

Investments available for sale

Investments classified as available for sale are initially recorded at fair value including transaction costs. Quoted investments are held at fair value and measured either at bid price or latest traded price, depending on convention of the exchange on which the investment is quoted. Such instruments are subsequently measured at fair value with gains and losses being recognised directly in equity until the instrument is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recycled to the income statement and recognised in profit or loss for the period. Impairment losses are recognised in the Income Statement when there is objective evidence of impairment.

Financial instruments

Financial assets and liabilities are recognised in the balance sheet when the Group becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are measured at cost less any provision necessary when there is objective evidence that the group will not be able to collect all amounts due.

Trade and other payables

Trade and other payables are not interest bearing and are measured at original invoice amount.

Inventories

Inventories are stated at the lower of cost or net realisable value.

3. Loss per share

	30 September 2008	30 September 2007
Basic		
Loss attributable to ordinary shareholders (£'000)	(492)	(263)
Weighted average number of shares (number)	11,591,964	9,479,167
	<hr/>	<hr/>
Basic loss per share (p)	(4.2p)	(2.8p)
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There was no dilutive effect from the share options outstanding during the year.