

INDIAN RESTAURANTS GROUP PLC
(AIM: IRGP)

Unaudited interim accounts for the 6 months ended 31 March 2010

Chairman's Statement

Indian Restaurants Group plc (AIM: IRGP) is pleased to announce its interim results for the six months ended 31 March 2010.

IRGP generated revenues of £1.27 million in the six-month period ended 31 March 2010, an modest advance on the £1.14 million reported in the previous corresponding period for last year. These results have been achieved in a background of difficult economic conditions and downward pressure on discretionary consumer spends. The shutdown in airspace and also the exceptionally cold weather in the early part of the year unfortunately did not help as we saw a dip in sales during this period. Clearly a motivated management team and staff together with a good product have helped us counteract some of the adverse effects of the economic backdrop. We are pleased to report that the loss before tax has been substantially reduced to £135,000 from £338,000 in the previous comparative six-month period. We have been able to do this by focussing our efforts on gross margin and also careful control of costs and this will be an ongoing feature of our business. The loss per share is 1.0 pence, which again is a significant reduction from the 3.5 pence reported in the previous period. Whilst we have a long way to go we do think that we have performed well given the circumstances.

Mela Redhill which operates out of Redhill continues to receive very positive feedback from customers and has now built a sizeable takeaway/delivery business. In the short period time it has been operating, it has been able to secure a good local repeat customer base. However despite all the efforts, it has so far not been able to generate sufficient volume to justify the Mela menu and the infrastructure that goes with it. We will continue our efforts to improve the financial performance of this unit. The unit Mela Redhill is trying to forge links with local businesses in the area and we have seen some success in this regard.

In our industry, we have in recent times seen increasing promotional activities with very aggressive discounting which invariably reduces our already tight margin. In order to maintain our market share we have had to fall in line with industry practice and offer these aggressive discounts. Going forward, we are planning to reduce our discounting activities and instead concentrate more on our food and service to our customers. We have also entered into an affinity-marketing programme with the UK's leading retailer Tesco. This arrangement enables Tesco's customers to utilise their cClubcard points in our restaurants. The summer period is traditionally a quiet period for us and more so this year with the football World Cup football. As a means of minimising the impact we have secured contracts with inbound tour companies to provide group catering to tourists from various countries which helps us fill capacity during quieter periods.

Subsequent to the period end, in April we announced that we completed a placing raising new monies totalling approximately £139,475. This money strengthens the balance sheet and will be used for working capital purposes.

Outlook

Whilst we have seen some improvement in the economy, consumer confidence remains fragile and therefore there is still a degree of uncertainty when we will see a pick up in discretionary spend. We continue to believe that we have an excellent food offering, combined with a dedicated and motivated team, which will stand us in good stead in the long term.

Haresh Kanabar
Chairman

25 June 2010

Contacts:

Indian Restaurants Group plc
Haresh Kanabar, Chairman
Amit Pau, Chief Executive

www.indianrestaurantsgroup.com
+44 (0) 207 432 3278
+44 (0) 207 432 3278

WH Ireland Limited
Mike Coe / Marc Davies

www.wh-ireland.co.uk
+44 (0) 117 945 3470

Unaudited Consolidated Income Statement for the six months ended 31 March 2010

	Note	Unaudited 6 months ended 31 March 2010 £'000	Unaudited 6 months ended 31 March 2009 £'000 (Restated)	Audited Year ended 30 September 2009 £'000
Revenue		1,265	1,136	2,470
Cost of sales		(249)	(259)	(657)
Gross profit		<u>1,016</u>	<u>877</u>	<u>1,813</u>
Administrative expenses		(1,151)	(1,229)	(2,508)
Operating loss		<u>(135)</u>	<u>(352)</u>	<u>(695)</u>
Finance income		6	20	26
Finance costs		(6)	(6)	(10)
Loss on ordinary activities before taxation		<u>(135)</u>	<u>(338)</u>	<u>(679)</u>
Tax expense		-	-	26
Loss for the period from continuing activities		<u>(135)</u>	<u>(338)</u>	<u>(653)</u>
Discontinued operations				
Loss for the period from discontinued operations		-	(127)	(405)
Loss for the period		<u>(135)</u>	<u>(465)</u>	<u>(1,058)</u>
Basic and diluted loss per share				
From continuing operations	3	(1.0)p	(2.6)p	(5.0)p
From discontinuing operations		-	(0.9)p	(3.1)p
		<u>(1.0)p</u>	<u>(3.5)p</u>	<u>(8.1)p</u>

Unaudited Consolidated Balance Sheet at 31 March 2010

	Unaudited 31 March 2010 £'000	Unaudited 31 March 2009 £'000	Audited 30 September 2009 £'000
Assets			
Non-current assets			
Goodwill	1,473	2,137	1,473
Property, plant & equipment	336	545	357
	<u>1,809</u>	<u>2,682</u>	<u>1,830</u>
Current assets			
Inventories	18	39	20
Trade and other receivables	166	267	218
Cash and cash equivalents	403	1,048	650
	<u>587</u>	<u>1,354</u>	<u>888</u>
Total current assets	<u>587</u>	<u>1,354</u>	<u>888</u>
Total assets	<u>2,396</u>	<u>4,036</u>	<u>2,718</u>
Liabilities			
Current liabilities			
Trade and other payables	(464)	(1,058)	(553)
Financial liabilities- borrowings	(183)	(306)	(216)
	<u>(647)</u>	<u>(1,364)</u>	<u>(769)</u>
Total assets less current liabilities	<u>1,749</u>	<u>2,672</u>	<u>1,949</u>
Non-current liabilities			
Financial liabilities- borrowings	(150)	(351)	(190)
Provision for other liabilities and charges	-	-	(25)
	<u>(150)</u>	<u>(351)</u>	<u>(190)</u>
Net assets	<u>1,599</u>	<u>2,321</u>	<u>1,734</u>
Equity			
Share capital	65	1,308	1,308
Deferred Share capital	1,243	-	-
Share premium account	3,451	3,451	3,451
Share Based payments reserves	139	133	139
Retained losses	(3,299)	(2,571)	(3,164)
Equity attributable to equity holders of the parent	<u>1,599</u>	<u>2,321</u>	<u>1,734</u>

Unaudited Consolidated Statement of Changes in Equity

	Share capital - equity	Deferred share capital	Share premium	Share Based Payments Reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 30 September 2009						
At 1 October 2008	1,308	-	3,451	133	(2,106)	2,786
Share based payments	-	-	-	6	-	6
Total comprehensive loss for the period	-	-	-	-	(1,058)	(1,058)
At 30 September 2009	<u>1,308</u>	<u>-</u>	<u>3,451</u>	<u>139</u>	<u>(3,164)</u>	<u>1,734</u>
Six months ended 31 March 2009						
At 30 September 2008	1,308	-	3,451	133	(2,106)	2,786
Total comprehensive loss for the period	-	-	-	-	(465)	(465)
At 31 March 2009	<u>1,308</u>	<u>-</u>	<u>3,451</u>	<u>133</u>	<u>(2,571)</u>	<u>2,321</u>
Six months ended 31 March 2010						
At 30 September 2009	1,308	-	3,451	139	(3,164)	1,734
Share re-organisation	(1,243)	1,243	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(135)	(135)
At 31 March 2010	<u>65</u>	<u>1,243</u>	<u>3,451</u>	<u>139</u>	<u>(3,299)</u>	<u>1,599</u>

Unaudited Consolidated Cash Flow Statement for the six months ended 31 March 2010

	Unaudited 6 months ended 31 March 2010 £'000	Unaudited 6 months ended 31 March 2009 £'000 (Restated)	Audited Year ended 30 September 2009 £'000
Cash outflow from operating activities	(162)	(23)	(413)
Corporation tax paid	-	(9)	-
Net cash flow from operating activities	<u>(162)</u>	<u>(32)</u>	<u>(413)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(3)	(118)	(127)
Disposal/acquisition of subsidiaries, including overdraft	-	-	45
Interest received	6	20	26
Net cash used in investing activities – continuing operations	<u>3</u>	<u>(98)</u>	<u>(56)</u>
Net cash used in investing activities – discontinued operations	-	(14)	-
Net cash used in investing activities	<u>3</u>	<u>(112)</u>	<u>(56)</u>
Cash flows from financing activities			
Share issue costs	-	-	-
Repayment of bank loans and finance leases	(63)	(59)	(103)
Income tax paid	-	-	-
Interest paid	(6)	(6)	(10)
Net cash used in financing activities – continuing operations	<u>(69)</u>	<u>(65)</u>	<u>(113)</u>
Net cash used in financing activities – discontinued activities	-	(34)	(31)
Net cash used in financing activities	<u>(69)</u>	<u>(99)</u>	<u>(144)</u>
Decrease in cash and cash equivalents	<u>(228)</u>	<u>(243)</u>	<u>(613)</u>
Cash and cash equivalents at start of the period	548	1,161	1,161
Cash and cash equivalents at end of the period	<u>320</u>	<u>918</u>	<u>548</u>

Notes to the unaudited consolidated interim statement for the six months ended 31 March 2010

1. Basis of preparation

Indian Restaurant 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").

These interim accounts have been prepared using the accounting policies to be applied in the annual report and accounts for the year ended 30 September 2010. These are consistent with those included in the previously published annual report and accounts for the year ended 30 September 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

The preparation of the interim statement requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The interim financial statements are unaudited and do not constitute statutory accounts as defined in section 434(3) of the Companies Act 2006.

The figures for the year ended 30 September 2009 have been extracted from the audited annual report and accounts that have been delivered to the Registrar of Companies. Adler Shine LLP, Indian Restaurant Group's auditors, reported on those accounts under section 495 of the Companies Act 2006. Their report was unqualified and did not contain a statement under section 498 of that Act.

2. Significant 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 information for the period to 31 March 2010 includes the results of Indian Restaurants Group Plc and its subsidiary undertakings for that period. Subsidiary undertakings are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from the activities. The group obtains and exercises control through voting rights.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. Whilst the directors believe that the estimates and assumptions used in the preparation of the interim financial statements are reasonable, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

1) Impairment of goodwill

The group tests whether goodwill has suffered any impairment annually or when there is an indication of impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates.

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.

On disposal of a subsidiary, the amount of goodwill attributable is included in the determination of the profit and loss on disposal.

Property, plant and equipment

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

The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their expected useful lives which are as follows:

Fixtures and fittings	15% reducing balance
Plant & machinery	15% reducing balance
Motor Vehicles	25% reducing balance
Leasehold building	over the term of the lease

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

Revenue recognition

Revenue is recognised on the sale of food and beverages, service charges and gratuities, exclusive of value added tax.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided on the group's taxable profits, at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 at 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 cost of equity-settled transaction with suppliers of goods and services is measured by reference to the fair value of the good or service received, unless that fair value cannot be estimated reliably. The fair value of the good or service received is recognised as an expense as the Group receives the goods or service. The cost of equity-settled transactions with employees, and transactions with suppliers where fair value cannot be estimated reliably, is measured by reference to the fair value of their equity instrument. The fair value of the equity instrument is determined at the date of grant, taking into account market based vesting conditions. The fair value is determined using the Black Scholes Model.

No expense is recognised for awards that do not ultimately vest, except for awards where the vesting conditions are conditional upon market conditions, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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.

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.

3. Loss per ordinary share

	Unaudited 6 months ended 31 March 2010 £'000	Unaudited 6 months ended 31 March 2009 £'000	Audited Year ended 30 September 2009 £'000
Basic			
Loss from continuing activities	(134)	(338)	(653)
Loss from discontinuing activities	-	(127)	(405)
	<hr/>	<hr/>	<hr/>
	(134)	(464)	(1,058)
Weighted average number of shares	13,080	13,080	13,080
Basic loss per share (pence)			
From continuing operations	(1.0)p	(2.6)p	(5.0)p
From discontinuing operations	-	(0.9)p	(3.1)p
	<hr/>	<hr/>	<hr/>
	(1.0)p	(3.5)p	(8.1)p

There was no dilutive effect from the share options outstanding during the period.