INDIAN RESTAURANTS GROUP PLC

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2011

INDIAN RESTAURANTS GROUP PLC

COMPANY INFORMATION

Directors	Haresh Kanabar Chairman Alfredo Villa
Company secretary	Haresh Kanabar
Registered Office	c/o SRL Accountancy & Payroll Services Ltd Entrance E2 Leicester Business Centre 111 Ross Walk Leicester LE4 5HH
Company number	05239281
Nominated adviser and Broker	W H Ireland Limited 4 Colston Avenue Bristol BS1 4ST
Auditors	Welbeck Associates 31 Harley Street London W1G 9QS
Solicitors	Charles Russell LLP 5 Fleet Place London EC4M 7RD
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

INDIAN RESTAURANTS GROUP PLC

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to report the results of Indian Restaurant Group plc ("IRGP" or the "Group") for the 18 month period ended 31 March 2011.

The Group generated revenues of £3.63 million in the 18 month period to 31 March 2011 compared with revenues of £2.47 million in the 12 month period ended 30 September 2009. These results reflect the very tough trading conditions that we had highlighted in our previous annual and interim reports. The restaurant sector is very competitive and, against a background of a slowing economy, we have had to continue with higher promotional activity in the period to retain our customers. The Group made a loss before tax of £1.62 million in the 18 month period compared with a loss before tax of £1.05 million in the previous 12 month period. Loss per share for the 18 month period amounted to 9.6 pence, compared with a loss of 8.1 pence per share in the previous 12 months. As at 31 March 2011, the Group had net assets of £0.26 million, versus £1.73 million as at 30 September 2009.

Through its three subsidiaries, the Group operated Indian restaurants. In February 2008, the Group acquired Mela, Chowki and, the now closed, Three Monkeys in Herne Hill. Subsequently it opened Mela Redhill. The expectation in 2008 was that the Group would be able to grow both organically and through acquisition. However, against a background of the challenging economic conditions that have prevailed since 2008, the Group has not been able to implement this strategy successfully. As stated in the interim results, released on 28 March 2011, we had been actively working with our major shareholders with respect to evaluating alternative options to increase the scale of operations. Despite our best efforts, we have been unable to achieve this objective and therefore indicated that, in consultation with our shareholders we would conduct a review of our operations.

The result of this review was that the Board concluded that the interests of the Shareholders would be best served by a realisation of the restaurant business thereby allowing the Group the chance to explore other investment opportunities that may offer Shareholders a better prospect in the current economic environment. The Directors also believed that, given the continuing uncertain economic climate, the interests of the restaurants would be best served not being part of a public company.

As a result, after the period end on 15 July 2011 IRGP entered into an agreement with Swadha Limited to sell the entire share capital of its three subsidiaries for £250,000 of which £150,000 was received on completion and the balance is payable in 78 equal instalments. Security has been granted by Swadha to the Company to secure these weekly payments. As part of the agreement the Company agreed to capitalise its intercompany loans to Chandan group amounting to £610,000. This transaction was completed on 1 September 2011. Following on from this disposal the Company no longer has a trade and in accordance with AIM Rule 15 IRGP is now treated as an investing company.

The investing policy of IRGP was approved at the general meeting on 26 August 2011. The investing policy is to acquire either minority interests or controlling stakes, either through the issue of securities or for cash, in quoted and non -quoted companies operating in the leisure sector. IRGP has until 26 August 2012 to implement its investing policy.

The results for the 18 month period ended 31 March 2011 incorporate the results of its three subsidiaries (Chandan Limited, Rice & Spice Limited and Mela Redhill Limited). As discussed above, these subsidiaries have been sold after the period end in September 2011.

Haresh Kanabar

Chairman

27 September 2011

The directors present their report and financial statements for the period ended 31 March 2011.

Principal activities and review of the business
The principal activity of the Group is the operation and management of restaurants.

A review of the Group's progress during the year and an indication of likely future developments are provided in the Chairman's statement.

Key performance indicators

The directors consider that the key financial performance indicators are:

	2011	**2009**
Loss per share from continuing operations	(9.6)p	(5.0)p
Share price at 31 March/30 September	2.0p*	2.5p
Cash at bank	£0.14m	£0.6m

* Trading on AIM was suspended on 28 March 2011.

Non financial key performance indicators are not considered to be material to managing the financial performance and position of the Group.

Principal risks and uncertainties

There are a number of risks and uncertainties which could have an impact on the Group's long term performance and cause actual results to differ materially from expected and historical results. The directors seek to identify material risks and put in place policies and procedures to mitigate any exposure. The key risks are considered to be:

Economic Environment

It is possible that continued recessionary pressures and other economic factors (such as rising interest rates, tax increases and falling house prices) may decrease the disposable income that customers have available to spend on eating out and other leisure activities and/or adversely affect customers' confidence and willingness to spend. This could lead to a reduction in the revenues of the Group's outlets.

Reliance on management

Under the revised strategy and in common with many smaller companies, the development and success of the group depends on its current and future senior management team and the ability to recruit and retain high quality and experienced staff. The loss of key personnel and the inability to attract additional qualified personnel as the Group grows could have an adverse effect on the Group's business, financial condition and trading results. The Company does not have "Key Man" life insurance policies covering any of its directors, managers and employees.

Supply chain

The Group focuses on the freshness and quality of the produce used in its restaurants. It is exposed to potential supply chain disruptions due to the delay or losses of inventory in transit. The Group mitigates this risk through effective supplier selection and appropriate back-up supply chains.

Locations

The Group may be unable to find as many suitable locations for is outlets as it currently plans which may delay the Group's expansion.

Additional capital and dilution

The Group will require additional capital for its future expansion and/or business development which may mean that the Group may need to raise additional capital from equity or debt sources to fund such expansion or development. If the Group is unable to obtain financing on terms acceptable to it then it may be forced to curtail its activities in terms of planned development.

Results and dividends

The results for the period are set out on page 9.

The directors do not recommend the payment of a dividend for the year. No dividends were paid during the year.

Post balance sheet events

On 15 July 2011 the Group entered into an agreement for the sale of its entire interest in Chandan Limited and its subsidiaries, including all the inter company indebtedness, to Swadha Limited for a total consideration of £250,000 payable as to £150,000 in cash and £100,000 in 78 equal weekly instalments. The sale was completed on 1 September 2011. Kuldeep Singh who was a director of the Company until 14 April 2011 is a director of Swadha Limited.

Directors

During the year the directors of the Company were as follows:

Haresh Kanabar
Amit Pau (resigned 14 April 2011)
Kuldeep Singh (resigned 14 April 2011)
Ashraf Rahman (resigned 14 April 2011)
Alfredo Villa (appointed 19 May 2010)
Nigel Robertson (resigned 9 December 2009)

Directors' interest in shares

The interests in shares of the directors who held office at 31 March 2011 are set out below:

At 31 March 2011

	Number of ordinary shares	Number of share options
Amit Pau	261,111	847,916
Haresh Kanabar	-	-
Kuldeep Singh	1,446,720	-
Ashraf Rahman	1,071,293	-
Alfredo Villa	-	-

At 30 September 2009

	Number of ordinary shares	Number of share options
Amit Pau	261,111	847,916
Haresh Kanabar	-	-
Kuldeep Singh	1,446,720	-
Ashraf Rahman	1,071,293	-
Alfredo Villa	-	-

Substantial shareholdings

Interests in the share capital of the Company as at 13 September 2011 were as follows:

	Number of shares	Percentage holding
Brainspark plc	5,578,994	29.9
Mr Vikas Nath	3,915,000	20.9
Mr Kuldeep Singh	1,446,720	7.8
Mr Dinesh Mody	1,082,670	5.8
Mr Ashraf Rahman	1,071,293	5.7

Creditor payment policy

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, providing that all trading terms and conditions have been complied with. The creditor days for the period were 65 (2009: 65).

Financial Instruments
The Group's financial risk management objectives and policies are discussed in note 23 to the financial statements.

Corporate Governance
The Group is committed to high standards of corporate governance; however as the Company is currently listed on AIM, it is not required to comply with the Combined Code or the Turnbull Report. The Board is accountable to the Group's shareholders for good corporate governance and has adopted procedures it considers appropriate, having regard to the size and best interests of the Group.

The Board currently comprises one executive director and one non executive director. The Company holds regular Board meetings throughout the year. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Directors have adopted a code for dealings in the Company's securities by directors and applicable employees which conforms to the requirements of the AIM Rules. The Company is responsible for taking all reasonable steps to ensure compliance by Directors and applicable employees with the code for dealings and the AIM Rules.

Disclosure of Information to the Auditors
In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Auditor
The auditors Welbeck Associates, who were appointed following the resignation of Adler Shine LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

On behalf of the board

Haresh Kanabar
Director
27 September 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors have, as required by the AIM Rules for Companies issued by the London Stock Exchange, prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have also elected to prepare the Company financial statements in accordance with those standards. Under company law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the income statement of the Group for that period.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF INDIAN RESTAURANTS GROUP PLC

We have audited the financial statements of the Indian Restaurants Group Plc for the period ended 31 March 2011, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity, 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 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 (APB'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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the 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 March 2011 and of the group's loss for the year then ended;
- the group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, the IAS regulations.

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:

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.

Jonathan Bradley-Hoare (Senior Statutory Auditor)
For and on behalf of
Welbeck Associates
Chartered Accountants
Statutory Auditor

31 Harley Street
London
W1G 9QS

27 September 2011

INDIAN RESTAURANTS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 18 MONTH PERIOD ENDED 31 MARCH 2011

	Note	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Continuing operations			
Revenue	3	3,598	2,470
Cost of sales		(810)	(657)
Gross profit		2,788	1,813
Other operating income		10	-
Administrative expenses	4	(4.417)	(2,508)
Operating loss		(1,619)	(695)
Finance income	7	3	26
Finance costs	7	(1)	(10)
Loss on ordinary activities before tax		(1,617)	(679)
Tax expense	10	-	26
Loss for the year from continuing activities		(1,617)	(653)
Discontinued operations			
Loss for the year from discontinued operations	17	-	(405)
Loss for the year		(1,617)	(1,058)
Basic and diluted loss per share			
From continuing operations	11	(9.6)p	(5.0)p
From discontinuing operations	11	-	(3.1)p
		(9.6)p	(8.1)p

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2011

	Notes	As at 31 March 2011 £'000	As at 30 September 2009 £'000
ASSETS			
Non-current assets			
Goodwill	12	475	1,473
Property, plant and equipment	13	292	357
		767	1,830
Current assets			
Inventories	15	20	20
Trade and other receivables	18	295	218
Cash and cash equivalents	16	142	650
		457	888
LIABILITIES			
Current liabilities			
Trade and other payables	19	(755)	(553)
Financial liabilities - borrowings	20	(123)	(216)
		(878)	(769)
Net current (liabilities)/assets		(421)	119
Non-current liabilities			
Financial liabilities - borrowings	20	(89)	(190)
Provisions for other liabilities and charges		-	(25)
		(89)	(215)
NET ASSETS		257	1,734
SHAREHOLDERS' EQUITY			
Issued share capital	21	1,336	1,308
Share premium account		3,563	3,451
Share based payments reserve		139	139
Retained earnings		(4,781)	(3,164)
TOTAL EQUITY		257	1,734

The financial statements were approved and authorised for issue by the board of directors on 27 September 2011 and signed on its behalf by:

Haresh Kanabar
Director

Alfredo Villa
Director

Company number: 05239281

COMPANY BALANCE SHEET
AS AT 31 MARCH 2011

	Notes	As at 31 March 2011 £'000	As at 30 September 2009 £'000
ASSETS			
Non-current assets			
Investments available for sale	14	-	880
Property, plant and equipment	13	2	2
		2	882
Current assets			
Trade and other receivables	18	305	595
Cash and cash equivalents	16	88	645
		393	1,240
LIABILITIES			
Current liabilities			
Trade and other payables	19	(139)	(106)
Financial liabilities - borrowings	20	-	-
		(139)	(106)
Net current assets		254	1,134
NET ASSETS		256	2,016
SHAREHOLDERS' EQUITY			
Issued share capital	21	1,336	1,308
Share premium account		3,563	3,451
Share based payments reserve		139	139
Retained earnings		(4,782)	(2,882)
TOTAL EQUITY		256	2,016

The financial statements were approved and authorised for issue by the board of directors on 27 September 2011 and signed on its behalf by:

Haresh Kanabar
Director

Alfredo Villa
Director

Company number: 05239281

CONSOLIDATED CASH FLOW STATEMENT
FOR THE 18 MONTH PERIOD ENDED 31 MARCH 2011

	Note	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Net cash flow from operating activities	24	(443)	(413)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13)	(127)
Disposal/acquisition of subsidiaries, including overdraft		-	45
Interest received		3	26
Net cash used in investing activities – continuing operations		(10)	(56)
Net cash used in investing activities – discontinued operations		-	-
Net cash used in investing activities		(10)	(56)
Cash flows from financing activities			
Proceeds of share issues		140	-
Repayment of bank loans and finance leases		(100)	(103)
Interest paid		(1)	(10)
Net cash from/(used in) financing activities – continuing operations		39	(113)
Net cash used in financing activities – discontinued activities		-	(31)
Net cash from/(used in) financing activities		39	(144)
Decrease in cash and cash equivalents		(414)	(613)
Cash and cash equivalents at start of period	25	548	1,161
Cash and cash equivalents at end of period	25	134	548

COMPANY CASH FLOW STATEMENT
FOR THE 18 MONTH PERIOD ENDED 31 MARCH 2011

	Note	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Cash flows from operating activities	24	(630)	(650)
Cash flows from investing activities			
Purchase of property, plant and equipment		(4)	(2)
Increase in loans to subsidiary undertakings		(66)	(72)
Interest received		3	23
Net cash (used in)/from investing activities		(67)	(51)
Cash flows from financing activities			
Proceeds of share issues		140	-
Net cash from financing activities		140	-
Decrease in cash and cash equivalents		(557)	(701)
Cash and cash equivalents at start of period	25	645	1,346
Cash and cash equivalents at end of period	25	88	645

STATEMENTS OF CHANGES IN EQUITY
FOR THE 18 MONTH PERIOD ENDED 31 MARCH 2011

CONSOLIDATED

	Ordinary share capital £'000	Deferred share capital £'000	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total £'000
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 1 October 2009	1,308	-	3,451	139	(3,164)	1,734
Share re-organisation	(1,243)	1,243	-	-	-	-
Share issue	28		112			140
Total comprehensive loss for the period	-	-	-	-	(1,617)	(1,617)
At 31 March 2011	93	1,243	3,563	139	(4,781)	257

COMPANY

	Ordinary share capital £'000	Deferred share capital £'000	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2008	1,308	-	3,451	133	(1,940)	2,952
Share based payments	-	-	-	6	-	6
Total comprehensive loss for the period	-	-	-	-	(942)	(942)
At 1 October 2009	1,308	-	3,451	139	(2,882)	2,016
Share re-organisation	(1,243)	1,243	-	-	-	-
Share issue	28		112			140
Total comprehensive loss for the period	-	-	-	-	(1,900)	(1,900)
At 31 March 2011	93	1,243	3,563	139	(4,782)	256

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 shares are listed on the AIM market of the London Stock Exchange. Trading in the Company's shares were suspended on 28 March 2011.

The registered office of the Company is c/o SRL Accountancy & Payroll Services Ltd, Entrance E2, Leicester Business Centre, 111 Ross Walk, Leicester, LE4 5HH.

The group and company financial statements for the period ended 31 March 2011 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, including International Accounting Standards ('IAS') and interpretations issued by the International Accounting Standards Board.

Statement of compliance

The financial statements comply with International Financial Reporting Standards as adopted by the European Union. At the date of authorisation of these financial statements, the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective (and in some cases had not been adopted by the EU):

		Effective for accounting periods beginning on or after:
IAS 1 (amendment)	Presentation of financial statements – clarification of statement of changes in equity	1 January 2011
IAS 24 (revised)	Related Party Disclosures	1 January 2011
IAS 34 (amendment)	Interim financial reporting – significant events and transactions	1 January 2011
IFRS 7 (amendment)	Financial instruments – clarification of disclosures	1 January 2011
IFRS 7 (amendment)	Financial instruments – disclosures about transfers of financial assets	1 July 2011
IFRS 9	Financial Instruments – classification and measurement	1 January 2013
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company when the relevant Standards come into effect for periods commencing on or after 1 April 2011

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.

Going concern

The consolidated financial statements have been prepared on a going concern basis as, after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future at the time of approving the 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 31 March 2011. 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.

2. Accounting policies (continued)

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 21. 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.

2. Accounting policies (continued)

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.

2. Accounting policies (continued)

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. Segmental information

Segment information is presented in respect of the group's business segments. The primary business segments are based on the group's reporting structure. As all the Group's operations are in the UK no geographical analysis has been disclosed.

Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Restaurants £'000	Head Office £'000	Group £'000
18 month period ended 31 March 2011			
Revenue			
Sales to external customers	3,598	-	3,598
Results			
Operating profit/(loss) before interest and tax	51	(1,670)	(1,619)
Net finance income/(expense)	(1)	3	2
Profit/(loss) before tax	50	(1,667)	(1,617)
Taxation	-	-	-
Profit/(loss) for the year from continuing activities	50	(1,667)	(1,617)
Loss for the year from discontinued operations			-
Loss for the year			(1,617)
Assets and liabilities			
Segment assets	1,132	92	1,224
Segment liabilities	(828)	(139)	(967)
Total net assets	(304)	(47)	257
Other segment information			
Capital expenditure			
Property, plant & equipment	9	4	13
Depreciation	74	4	78

3. Segmental information (continued)

	Restaurants £'000	Head Office £'000	Total Group £'000
Year ended 30 September 2009			
Revenue			
Sales to external customers	2,470	-	2,470
Result			
Operating loss before interest and tax	(244)	(451)	(695)
Net finance (cost) income	(6)	22	16
Loss before tax	(250)	(429)	(679)
Taxation	26	-	26
Loss for the year from continuing operations	(224)	(429)	(653)
Loss for the year from discontinued operations			(405)
Loss for the year			(1,058)
Assets and liabilities			
Segment assets	2,069	649	2,718
Segment liabilities	(878)	(106)	(984)
Total net assets	1,191	543	1,734
Other segment information			
Capital expenditure			
Property, plant & equipment	125	2	127
Depreciation	53	-	53

4. Operating loss

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
The operating loss is stated after charging the following, included in administrative expenses:		
Depreciation	78	53
Loss on disposal of property, plant and equipment	-	13
Impairment of goodwill	998	-
Staff costs	1,771	1,476
Operating costs	1,074	638
Operating lease rentals	496	328
	4,417	2,508

4. Operating loss (continued)

As permitted by section 408 of the Companies Act 2006 the income statement of the Parent Company is not presented as part of these financial statements. The Company made a loss for the period of £1,900,000 (Year to 30 September 2010 - £942,000).

5. Auditors' remuneration

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Audit fees:		
- statutory audit of the Group accounts	6	11
- statutory audit of the company's subsidiaries	9	23
	15	34

6. Other operating income

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Rent received	10	-
	10	-

7 Finance income and costs

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Bank interest receivable	3	26
Interest payable on bank loans	(1)	(10)
	2	16

8. Directors' emoluments

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Emoluments for qualifying services	495	351
Pension contributions	11	11
Share based payments	-	6
	506	368
The above includes amounts paid to the highest paid director as follows:-		
Emoluments for qualifying services	165	110
Pension contributions	11	11
Share based payments	-	6
	176	127

No directors exercised share options during the year (2009: nil)

9. Employees and staff costs

The average number of employees was as follows:

	18 months ended 31 March 2011 No.	Year ended 30 September 2009 No.
Management	4	4
Restaurants	67	73
	71	77

9. Employees and staff costs (continued)

Staff costs for the above employees were as follows:

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Wages and salaries	1,771	1,415
Social security costs	63	44
Pension contributions	11	11
Share based payments	-	6
	1,845	1,476

The pension contributions were made to the personal pension scheme of a director of the company.

10. Taxation

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Current tax charge	-	-
Adjustment in respect of prior years	-	26
Current tax credit	-	26
Factors affecting the tax charge for the period		
Loss on ordinary activities before taxation	(1,617)	(1,058)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 28% (2009: 28%)	(453)	(296)
Effects of:		
Temporary timing differences	6	6
Non deductible expenses	28	(78)
Depreciation in excess of capital allowances	10	2
Unutilised tax losses	130	179
Impairment of goodwill	279	187
Current tax charge	-	-

The Group has approximately £4.0m (2009: £2.6m) of trading losses to carry forward and offset against future trading profits.

11. Loss per share

	18 months ended 31 March 2011	Year ended 30 September 2009
Basic		
Loss from continuing activities (£'000)	(1,617)	(653)
Loss from discontinuing activities (£'000)	-	(405)
	(1,617)	(1,058)
Number of shares	16,806,004	13,079,850
Basic loss per share (p)		
From continuing operations	(9.6)p	(5.0)p
From discontinuing operations	-	(3.1)p
	(9.6)p	(8.1)p

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

12. Goodwill

	2009 £'000
Cost	
At 1 October 2009	2,137
At 31 March 2011	2,137
Impairment	
At 1 October 2009	(664)
Impairment charge	(998)
At 30 September 2009	(1,662)
Net book value	
At 31 March 2011	475
At 30 September 2009	1,473

13. Property, plant and equipment

GROUP

	Leasehold buildings £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 October 2008	311	626	7	944
Additions	81	46	-	127
Disposals	(33)	(320)	-	(353)
At 30 September 2009	359	352	7	718
Additions	-	13	-	13
Disposals	-	-	-	-
At 31 March 2011	359	365	7	731
Accumulated depreciation				
At 1 October 2008	159	303	2	464
Charge for the year	20	32	1	53
On disposal	(11)	(145)	-	(156)
At 30 September 2009	168	190	3	361
Charge for the period	29	48	1	78
On disposal	-	-	-	-
At 31 March 2011	197	238	4	439
Net book value				
At 31 March 2011	162	127	3	292
At 30 September 2009	191	162	4	357

13. Property, plant and equipment (continued)

COMPANY

	Fixtures & Fittings £'000
Cost	
At 1 October 2008	-
Additions	2
At 30 September 2009	2
Additions	4
At 31 March 2011	6
Accumulated depreciation	
At 1 October 2008	-
Charge for the year	-
At 30 September 2009	-
Charge for the period	4
At 31 March 2011	4
Net book value	
At 31 March 2011	2
At 31 March 2011	2

14. Investments – available for sale

COMPANY

	Subsidiary undertakings	Total
	£'000	£'000
Cost and net book value		
At 1 October 2009	880	880
Impairment of investment	(880)	(880)
At 31 March 2011	-	-

Details of the investments in which the Company directly or indirectly holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Proportion held	Direct or indirect holding	Nature of business	Country of registration
Chandan Ltd	100%	Direct	Restaurant	England & Wales
Rice & Spice Ltd	100%	Indirect	Restaurant	England & Wales
Mela Redhill Ltd	100%	Indirect	Restaurant	England & Wales

The registered office of each company is:

Name of company	Registered office
Chandan Ltd	152-156 Shaftesbury Avenue, London, WC2H 8HL
Rice & Spice Ltd	2 Denman Street, London, W1V 7RH
Mela Redhill Ltd	152-156 Shaftesbury Avenue, London, WC2H 8HL

15. Inventories

	Group		Company	
	2011	2009	2011	2009
	£'000	£'000	£'000	£'000
Inventories	20	20	-	-
	20	20	-	-

16. Cash and cash equivalents

	Group		Company	
	2011	2009	2011	2009
	£'000	£'000	£'000	£'000
Cash at bank and in hand	142	41	88	36
Short-term bank deposit	-	609	-	609
	142	650	88	645

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2011	2009	2011	2009
	£'000	£'000	£'000	£'000
Cash and cash equivalents	142	650	88	645
Bank overdraft	(8)	(102)	-	-
	134	548	88	645

17. Discontinued operations

Discontinued operations relates to Param Consultancy Limited which went into administration on 30 June 2009.

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Revenue	-	299
Expenses	-	(454)
Loss before taxation	-	(155)
Income tax expense	-	-
Loss from discontinued operations for the year	-	(155)
Impairment of goodwill	-	(665)
Gain on disposal of investment	-	415
Loss from discontinued operations	-	(405)

17. Discontinued operations (continued)

Cash flows from discontinued operations included in the consolidated cash flow statements are as follows:

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Net cash flow from operating activities	-	58
Net cash flow from financing activities	-	(31)
Total cash flows	-	27

The net assets of Param Consultancy Limited at the date the company went into administration on 30 June 2009 were as follows:

	18 months ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Property, plant and equipment	-	168
Inventories	-	-
Trade and other receivables	-	29
Bank and cash	-	(45)
Trade and other payables	-	(697)
	-	(545)
Consideration	-	-
Gain on disposal	-	(545)

18. Trade and other receivables

	Group		Company	
	2011 £'000	2009 £'000	2011 £'000	2009 £'000
Trade receivables	9	5	-	-
Amounts due from subsidiary undertakings	-	-	303	588
Other receivables	84	113	2	3
Prepayments and accrued income	202	100	-	4
	295	218	305	595

Included in other receivables are amounts of £84,000 (2009: £84,000) due after more than one year.

19. Trade and other payables

	Group		Company	
	2011 £'000	2009 £'000	2011 £'000	2009 £'000
Trade payables	378	253	2	4
Amounts due to group undertakings	-	-	-	-
Taxation and social security	133	149	14	27
Other payables	67	35	33	-
Accruals and deferred income	177	116	90	75
	755	553	139	106

20. Financial liabilities - borrowings

	Group		Company	
	2011 £'000	2009 £'000	2011 £'000	2009 £'000
Current:				
Bank overdrafts	8	102	-	-
Bank loans	-	104	-	-
Obligations under finance leases	11	10	-	-
	19	216	-	-
Non current:			-	-
Bank loans	193	166	-	-
Obligations under finance leases	-	24	-	-
	193	190	-	-

The maturity date of the Group's financial liabilities is provided in note 23.

The bank loans are secured against the assets of the subsidiary undertaking to which they relate. Interest on the loans is charged at base rate plus a margin of between 1.75 per cent and 2.5 per cent per annum.

21. Share capital

Group and Company

	2011 £'000	2009 £'000
Authorised		
200,000,000 ordinary shares of 10p each	-	20,000
200,000,000 ordinary shares of 0.5p each	1,000	-
200,000,000 ordinary shares of 9.5p each	19,000	-
	20,000	20,000
Issued and fully paid		
13,079,850 ordinary shares of 10p each	-	1,308
18,658,844 ordinary shares of 0.5p each	93	-
13,079,850 deferred shares of 9.5p each	1,243	-
	1,336	1,308

All ordinary shares rank equally in respect of shareholders' rights.

At a General Meeting held on 3 February 2010 the shareholders approved a sub-division of the shares, whereby each issued share of 10p was subdivided into one ordinary share of 0.5p and one deferred share of 9.5p. The restricted rights attaching to the deferred shares are such that the deferred shares have no economic value.

On 28 April 2010, 5,578,994 ordinary shares were issued for cash at 2.5p each.

22. Share options

The following share options have been granted by the Company:

Date of grant	Number of ordinary shares under option	Exercise price	Exercise period
08/02/2007	847,916	45p	5 years
28/01/2009	353,020	45p	5 years
28/01/2009	130,799	26p	5 years

No options were exercised or lapsed during the period.

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

Dividend yield	0%
Weighted average exercise price	43p
Weighted average share price	11.6p
Expected share price volatility	35%
Risk free interest rate	4.34%
Expected life of options	5 years

The expense recognised by the Group for share based payments during the period ended 31 March 2011 was nil (2009: £6,430).

23. Financial Instruments

Financial risk management

The Group's activities expose the Group to a number of risks including interest rate risk, credit risk and liquidity risk. The Board manages these risks through a risk management programme. The fair value of the group's assets and liabilities at 31 March 2011 are not materially different from their book value.

Interest rate risk

The table below shows the Group's financial assets and liabilities split by those bearing floating rates and those that are non interest bearing.

Financial assets	Floating rate £'000	Non interest bearing £'000	Total £'000
2011			
Cash and cash equivalents	142	-	142
Trade receivables	-	9	9
Other receivables	-	84	84
Prepayments and accrued income	-	202	202
	142	295	437
2009			
Cash and cash equivalents	650	-	650
Trade receivables	-	5	5
Other receivables	-	113	113
Prepayments and accrued income	-	100	100
	650	218	868

Financial liabilities	Fixed rate £'000	Floating rate £'000	Non interest bearing £'000	Total £'000
2011				
Bank overdraft	-	8	-	8
Bank loans	-	193	-	193
Obligations under finance leases	11	-	-	11
Trade payables	-	-	378	378
Taxation and social security	-	-	133	133
Other payables	-	-	67	67
Accruals and deferred income	-	-	177	177
	11	201	755	967
2009				
Bank overdraft	-	102	-	102
Bank loans	-	270	-	270
Obligations under finance leases	34	-	-	34
Trade payables	-	-	253	253
Taxation and social security	-	-	149	149
Other payables	-	-	35	35
Accruals and deferred income	-	-	116	116
	34	372	553	959

23. Financial instruments (continued)

Credit risk

The Group monitors credit risk on an on-going basis and manages risk by concentrating on trading and placing bank deposits with reliable counterparties. The Group has no significant concentration of credit risk associated with trading counterparties. Credit risk predominantly arises from cash and cash equivalents.

Liquidity risk

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. All cash and cash equivalents are immediately accessible. All of the Group's financial assets are recoverable within the next six months.

The maturity dates of the Group's financial liabilities are shown below and are based on the period outstanding at the balance sheet date up to the contractual maturity date.

2011	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Bank overdraft	8	-	-	8
Bank loans	69	39	85	193
Finance leases	5	5	1	11
Trade payables	378	-	-	378
Taxation and social security	133	-	-	133
Other payables	67	-	-	67
Accruals and deferred income	177	-	-	177
	837	44	86	967

2009	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 and 5 years £'000	Total £'000
Bank overdraft	102	-	-	102
Bank loans	52	52	166	270
Finance leases	5	5	24	34
Trade payables	253	-	-	253
Taxation and social security	149	-	-	149
Other payables	35	-	-	35
Accruals and deferred income	116	-	-	116
	712	57	190	959

24. Cash flows from operating activities

GROUP

	Period ended 31 March 2011 £'000	Year ended 30 September 2009 £'000
Loss on ordinary activities before tax – continuing operations	(1,617)	(679)
Finance income	(3)	(26)
Finance costs	1	10
Depreciation of property, plant and equipment	78	53
Loss on disposal of property, plant and equipment	-	13
Impairment of goodwill	998	-
Reverse provision for liabilities and charges	(25)	-
Share based payments	-	6
Operating cash flows before movements in working capital	(568)	(623)
Decrease in inventories	-	6
Decrease in trade and other receivables	(77)	41
Increase/(decrease) in trade and other payables	202	105
Cash flows from operating activities – continuing operations	(443)	(471)
Cash flows from operating activities – discontinued operations	-	58
Cash flows from operating activities	(443)	(413)

COMPANY

	Period ended 31 March 2011 £'000	Year ended 30 September 2 009 £'000
Loss on ordinary activities before tax	(1,900)	(468)
Share based payments	-	6
Finance income	(3)	(23)
Depreciation of property, plant and equipment	4	-
Impairment of investment in subsidiary undertakings	880	-
Impairment of loans to subsidiary undertakings	351	-
Operating cash flows before movements in working capital	(668)	(485)
Decrease in trade and other receivables	5	1
Increase/(decrease) in trade and other payables	33	(166)
Cash flows from operating activities	(630)	(650)

25. Cash and cash equivalents

	Group		Company	
	2011	**2009**	**2011**	**2009**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	142	650	88	645
Bank overdraft	(8)	(102)	-	
	134	548	88	645

26. Related party transactions

During the period, the Group purchased supplies from Ghandi Imbibe Limited totalling £27,301 (2009: £92,414). The amount owed to Ghandi Imbibe Limited at 31 March 2011 was £nil (2009: £17,294). Dinesh Mody, a director of Chandan Limited and Rice & Spice Limited, has a controlling interest in this company.

During the period, the Group purchased supplies from Ghandi Oriental Foods Limited totalling £150,095 (2009: £104,762). The amount owed to Ghandi Oriental Foods Limited at 31 March 2011 was £24,476 (2009: £18,698). Dinesh Mody, a director of Chandan Limited and Rice & Spice Limited, has a controlling interest in this company.

During the period, the Group received marketing services from SHP Marketing Solutions Limited amounting to £7,545 (2009: £30,615). No amounts were outstanding at the period end. The wife of one of the directors is a director of SHP Marketing Solutions Limited.

27. Operating lease commitments

The Group has the following annual commitments under operating leases:

	Group	
	2011	**2009**
	£'000	**£'000**
Land and Buildings:		
Expiring in:		
one to five years	-	-
over five years	331	275

28. Post balance sheet events

On 15 July 2011 the Group entered into an agreement for the sale of its entire interest in Chandan Limited and its subsidiaries, including all the inter company indebtedness, to Swadha Limited for a total consideration of £250,000 payable as to £150,000 in cash and £100,000 in 78 equal weekly instalments. The sale was completed on 1 September 2011. Kuldeep Singh who was a director of the Company until 14 April 2011 is a director of Swadha Limited.