

Oriental Restaurant Group Limited

Directors' Report and Financial Statements for the Year Ended 31 December 2007

Registered number: 02191465



Oriental Restaurant Group Limited

Directors' report for the year ended 31 December 2007

The Directors present their Directors' Report and Financial Statements for the year ended 31 December 2007

Principal activities and business review

The Company is a wholly owned subsidiary of Noble House Leisure Limited ("NHLL")

Orient Pub Company Limited ("ORP"), a group company, acts as an agent to the Company performing various central management and administrative functions, related supply, distribution and technical services as well as the procurement of certain services from third parties. Accordingly, the Company has no working capital on the balance sheet other than intercompany balances

The principal activity of the Company continues to be the operation of bars and restaurants

Results and dividends

The results of the Company for the period are set out on page 7. The loss after taxation for the period was £9,598,000 (2006: £82,000 profit). The directors do not recommend the payment of a dividend

Directors

The Directors who held office during the year were as follows

JR Hall
CT Freeman

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the period

Disclosure of information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

KPMG LLP were appointed as auditors effective from 7 January 2007. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the Board



CT Freeman
Director

01 May 2008

Park Mill, Burydell Lane,
Park Street, St Albans,
Hertfordshire AL2 2HB

Oriental Restaurant Group Limited

Statement of Directors' responsibilities' in respect of the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

KPMG LLP

Aquis Court
31 Fishpool Street
St Albans
AL3 4RF
United Kingdom

Independent Auditor's report to the members of Oriental Restaurant Group Limited

We have audited the financial statements of Oriental Restaurant Group Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, Note of Historical Cost Profit and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Directors' Report and the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's report to the members of Oriental Restaurant Group Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 May 2008

Oriental Restaurant Group Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £'000	39 week period ended 31 December 2006 £'000
Turnover	2	6,593	7,623
Cost of sales		(1,589)	(1,765)
Gross profit		5,004	5,858
Impairment loss on tangible fixed assets		(764)	-
Bad debt provision on amounts owed from Group undertakings		(9,175)	-
Profit on disposal of tangible fixed assets		218	188
Other administrative expenses		(4,929)	(5,972)
Administrative expenses		(14,650)	(5,784)
Operating (loss)/ profit		(9,646)	74
Interest receivable and similar income	6	48	8
(Loss) / profit on ordinary activities before taxation		(9,598)	82
Tax on (loss) / profit on ordinary activities	7	-	-
(Loss) / profit for the financial period		(9,598)	82

All amounts are derived from continuing operations

There are no recognised gains or losses other than the loss for the periods

Note of historical cost profits and losses for the year ended 31 December 2007

	2007 £'000	39 week period ended 31 December 2006 £'000
Reported (loss) / profit on ordinary activities before taxation	(9,598)	82
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	817	339
Historical cost (loss)/profit on ordinary activities before and after taxation	(8,781)	421

Oriental Restaurant Group Limited

Balance sheet at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	8	<u>6,639</u>	<u>6,581</u>
		6,639	6,581
Current assets			
Stock	9	-	52
Debtors	10	-	9,804
Cash at bank and in hand		<u>446</u>	<u>1,131</u>
		446	10,987
Creditors amounts falling due within one year	11	(694)	(1,579)
Net current (liabilities)/ assets		<u>(248)</u>	<u>9,408</u>
Total assets less current liabilities		<u>6,391</u>	<u>15,989</u>
Provisions for liabilities	12	-	-
Net assets		<u>6,391</u>	<u>15,989</u>
Capital and reserves			
Called up share capital	14	480	480
Share premium account	14	4,116	4,116
Revaluation reserve	14	4,210	5,027
Profit and loss account	14	(2,415)	6,366
Shareholders' funds	15	<u>6,391</u>	<u>15,989</u>

These financial statements were approved by the Board of Directors on 01 May 2008 and were signed on its behalf by



C T Freeman
Director

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007

1. Accounting policies

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

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of land and buildings

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As 100% of the Company's voting rights are controlled within the group headed by Orchid Pubs Limited, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of that group (or investees of the group qualifying as related parties) The consolidated financial statements of Orchid Pubs limited, within which this company is included can be obtained from Companies House

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £248,000 (2006 Net current assets £9,408,000) at the year end which the Directors believe to be appropriate for the following reason The Company is reliant for its working capital on funds provided to it by the Company's parent undertaking, which has provided the Company with an undertaking that it will, for at least 12 months from the date of approval of these financial statements, continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment As with any Company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so Based on this undertaking the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

b) Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold and long leasehold buildings and improvements	50 years
Short leasehold buildings and improvements	Over period of lease
Plant, machinery and kitchen equipment	10 years
Fixtures and fittings	5 to 10 years
Office and computer equipment	3 years

Land is not depreciated

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

c) Revaluation of properties (continued)

Leasehold properties are stated at valuation. Any surplus or deficit on book value is transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account, unless the recoverable amount is greater than the revalued amount, in which case the less is transferred to the revaluation reserve. A deficit, which represents a clear consumption of economic benefits, is charged to the profit and loss account regardless of any such previous surplus.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

The costs of acquiring and subsequent revaluations of operating leaseholds and improvements thereon are treated as tangible fixed assets and written off in equal annual amounts over the remaining period of the lease.

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

e) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

f) Post retirement benefits

Pension costs in respect of contributions to certain employees' stakeholder pension plans and Company contributions to personal pension plans are charged to the profit and loss account as they accrue.

g) Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

h) Intra group guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

i) Turnover

Turnover comprises the amounts receivable from the sale of goods and services provided in the normal course of business and is recorded net of VAT and trade discounts.

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

2. Turnover

The Company operates bars and restaurants solely in the United Kingdom. Turnover is recognised on exchange of goods and services as this is the point that all risks and rewards are deemed to be transferred.

3. Notes to the profit and loss account

Loss / profit on ordinary activities before taxation is stated after charging / (crediting)

	2007	39 week period ended 31 December 2006
	£'000	£'000
Depreciation of tangible fixed assets	793	752
Impairment of tangible fixed assets	764	-
Bad debt provision on amounts owed from Group undertakings	(9,754)	-
Rental receivable on operating leases	(413)	(46)
Operating lease rentals - land and buildings	973	1,097
Operating lease rentals – other	51	2
Profit on disposal of tangible fixed assets	218	188
	<hr/>	<hr/>
Auditors' remuneration – audit of these financial statements	-	7

The audit fee for the period ended 31 December 2007 was borne by Orient Pub Company Limited, another group company. Amounts receivable by the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The smallest group in which these results are consolidated is that headed by Orchid Pubs Limited.

4. Directors' remuneration

The directors who served in the periods to 31 December 2007 and 31 December 2006 did not receive any remuneration from the Company, and the Company made no contributions to their pensions. CT Freeman and JR Hall are directors of Orchid Pubs Limited, and their remuneration is disclosed in that company's financial statements.

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5. Staff costs

The average number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows

	2007	39 week period ended 31 December 2006
	Number	Number
Sales	131	275
	131	275

The aggregate payroll costs of these persons were as follows

	2007	39 week period ended 31 December 2006
	£'000	£'000
Wages and salaries	1,746	2,517
Social security costs	127	164
Pension costs	1	1
	1,874	2,682

6. Interest receivable and similar income

	2007	39 week period ended 31 December 2006
	£'000	£'000
Bank interest receivable	48	8
	48	8

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Notes to the financial statements for the year ended 31 December 2007 (continued)

7. Taxation

(a) Analysis of charge in the period

	2007 £ '000	39 week period ended 31 December 2006 £ '000
UK Corporation tax on profit for the period	-	-
Deferred tax charge (see note 12)	-	-
Total charge	-	-

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below

	2007 £'000	39 week period ended 31 December 2006 £'000
(Loss)/ profit on ordinary activities before taxation	(9,598)	82
Taxation at the standard rate of corporation tax (30%)	(2,879)	25
Effect of		
Permanent differences	3,061	131
Other temporary differences	64	-
Depreciation in excess of capital allowances	161	38
Group relief	(407)	(194)
UK corporation tax	-	-

(c) Factors that may affect future current and total tax charges

Future current and total tax charges may be affected by capital allowances (see note 12)

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8. Tangible fixed assets

	Leasehold buildings and improvements £'000	Plant and machinery and kitchen equipment £'000	Fixtures and fittings £'000	Office and computer equipment £'000	Total £'000
Cost or valuation					
At 1 January 2007	11,319	721	1,185	77	13,302
Additions	1,341	118	166	6	1,631
Disposals	(1,303)	(48)	(94)	(8)	(1,453)
At 31 December 2007	11,357	791	1,257	75	13,480
Depreciation					
At 1 January 2007	5,147	450	1,050	74	6,721
Charge for the period	641	73	75	4	793
Impairment	764	-	-	-	764
Disposals	(1,300)	(48)	(81)	(8)	(1,437)
At 31 December 2007	5,252	475	1,044	70	6,841
Net book value					
At 31 December 2007	6,105	316	213	5	6,639
At 31 December 2006	6,172	271	135	3	6,581

An impairment of £764,000 has been booked as a result of a recent refurbishment not generating the expected returns

The last valuation of the Company's leasehold buildings and improvements was undertaken as at 2 April 2006 by a firm of external qualified chartered surveyors on an open market value basis. The revalued and historical cost net book values of the leasehold buildings and improvements were as follows at 31 December 2007 and 31 December 2006

	2007 £'000	2006 £'000
Valuation	6,105	6,172
Cost	(1,895)	(1,145)
Revaluation surplus	<u>4,210</u>	<u>5,027</u>

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Notes to the financial statements for the year ended 31 December 2007 (continued)

9. Stocks

Stocks comprise finished goods held for resale. There is no material difference between the balance sheet value of stocks and their replacement cost.

10. Debtors

	2007	2006
	£'000	£'000
Trade debtors	-	685
Amounts owed by Group undertakings	-	8,973
Prepayments and accrued income	-	146
	-	9,804

During the year the Company raised a bad debt provision of £9,175,000 against amounts owed by Group undertakings.

11. Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Trade creditors	-	405
Amounts owed to Group undertakings	694	512
Taxation and social security	-	25
Other creditors	-	168
Accruals and deferred income	-	469
	694	1,579

12. Provisions for liabilities

Deferred taxation

The Company had no deferred tax liabilities at 31 December 2007.

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and other short term timing differences as the timing of when they will be recovered is uncertain. The amount of the asset not recognised is £504,000 (2006 £534,000).

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13. Called up share capital

	2007 £'000	2006 £'000
<i>Authorised</i>		
14,000,000 ordinary shares of 5p each	<u>700</u>	<u>700</u>
<i>Allotted, called up and fully-paid</i>		
9,608,470 ordinary shares of 5p each	<u>480</u>	<u>480</u>

14. Reserves

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2007	480	4,116	5,027	6,366
Transfer of amount equivalent to additional depreciation on revalued assets			(817)	817
Retained loss for the year	-	-	-	(9,598)
At 31 December 2007	<u>480</u>	<u>4,116</u>	<u>4,210</u>	<u>(2,415)</u>

15. Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
(Loss) / profit for the period	<u>(9,598)</u>	<u>82</u>
Net (decrease)/increase to shareholders' funds	<u>(9,598)</u>	<u>82</u>
Opening shareholders' funds	<u>15,989</u>	<u>15,907</u>
Closing shareholders' funds	<u>6,391</u>	<u>15,989</u>

16. Contingent liabilities

At 31 December 2006, the bank loans of Orchid Pubs Limited and subsidiaries were secured by a fixed and floating charge and cross guarantees between all group companies. On 25 January 2007 the company discharged the security over the Orchid Pubs Properties Limited bank loan when it entered in to its new banking arrangement. At 31 December 2007, the guarantees over bank loans totalled £56,833,000 (2006 £503,750,000).

The Company has a joint and several contingent liability in respect of VAT payable under the Orchid Pubs Limited Group VAT registration. At 31 December 2007, the amount of VAT owed by the Group was £1,818,000 (2006 £3,842,000).

Oriental Restaurant Group Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

17. Operating lease commitments and financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2007		2006	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	10	39	133	-
In the second to fifth years inclusive	-	-	-	100
Over five years	1,627	28	917	-
	<u>1,637</u>	<u>67</u>	<u>1,050</u>	<u>100</u>

At 31 December 2007 the Company had capital commitments of £524,000 (2006 £Nil)

18. Pension costs

The Orchid Pubs Limited Group operates a stakeholder pension scheme. Company contributions to the scheme are based on the employees' own contributions and the scheme is of a defined contribution nature.

The Company also contributes to individual pension schemes for staff members who choose not to join the Group stakeholder scheme. Contributions are of a defined contribution nature.

The pension cost charge for the period represents contributions payable by the Company to the schemes and amounted to £1,000 (2006 £3,000).

19. Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent company is Noble House Leisure Limited, incorporated in England.

On 11 May 2006, the ultimate controlling party became GI Partners Fund II LP, incorporated in the USA, as a result of its subsidiary Orchid Pubs Limited acquiring all of the parent Company's ordinary shares.

The largest group in which the results of the Company are consolidated is that headed by Orchid Capital Limited, incorporated in Jersey. The consolidated financial statements of this group are not available to the public. The smallest group in which the results of the Company are consolidated is that headed by Orchid Pubs Limited, incorporated in England. The consolidated financial statements of this group are available from Companies House.