

Carluccio's ^{PLC}

Admission to trading on AIM

Nominated adviser: Close Brothers Corporate Finance Limited

Broker: Altium Capital Limited



- Leading UK group of authentic Italian restaurants with integrated food shops
- All day trading format, value for money proposition with average caffè spend per head of circa £11.50
- 24 units open, all stores (except the first) profitable¹ in first full month of trading and no closures
- Independent research indicates over 100 additional locations in the UK which could provide suitable sites for the company
- Opening programme expected to be financed from internally generated cash flow
- Five years of uninterrupted turnover and operating profit growth²
- Experienced management with proven sector track record
- EBITDA³ for 52 weeks ended 25 September 2005 of £4.5m (2004: £3.1m)
- Dividend expected to be paid from first year

The above information is derived from, and should be read in conjunction with, the full text of this document, including the risk factors set out in Part II, and investors should not rely solely on the information above.

1 Based on figures from unaudited management accounts, excluding pre-opening expenses

2 Based on operating profit before deducting pre-opening and exceptional expenses

3 EBITDA is stated pre-exceptional expenses

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 (as amended) “the FSMA” who specialises in advising on the acquisition of shares and other securities immediately.

The Directors, whose names are set out on page 3 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which is drawn up as an Admission Document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the entire issued and to be issued share capital of the Company on AIM. This document does not constitute an offer to the public in accordance with the provisions of section 85 of the FSMA and is not a prospectus for the purposes of the Prospectus Regulations 2005. Accordingly this document has not been pre-approved by the Financial Services Authority pursuant to section 85 of the FSMA.

Application has been made for the entire issued and to be issued share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc (“AIM”). It is expected that Admission will become effective and dealings in shares will commence on 14 December 2005. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks involved in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the UK Listing Authority nor London Stock Exchange plc (“the London Stock Exchange”) have examined or approved the contents of this document.

The whole of this document should be read. An investment in the Company includes a significant degree of risk and potential investors should consider carefully the risk factors set out in Part II of this document.

Carluccio’s plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2001576)

Placing of 28,087,751 Ordinary Shares of 5 pence each at 94.5 pence per share and Admission to trading on AIM

Nominated Adviser

Close Brothers Corporate Finance Limited

Broker

Altium Capital Limited

Ordinary share capital on Admission

Authorised			Issued and fully paid	
Amount	Number		Amount	Number
£7,500,000	150,000,000	Ordinary Shares of 5p each	£2,836,914.25	56,738,285

Close Brothers, which is authorised and regulated by the Financial Services Authority, is the Company’s nominated adviser for the purposes of the AIM Rules. Close Brothers’ responsibilities as nominated adviser to the Company are owed solely to the London Stock Exchange. Close Brothers will not be responsible to anyone other than the Company for providing the protections afforded to customers of Close Brothers or for advising any other person on the arrangements described in this document.

Altium, which is authorised and regulated by the Financial Services Authority, is the Company’s broker and is acting exclusively for the Company in connection with the Placing. Altium will not be responsible to anyone other than the Company for providing the protections afforded to customers of Altium or for advising any other person on the Placing and other arrangements described in this document.

Neither Close Brothers nor Altium have authorised the contents of, or any part of, this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Close Brothers or Altium for the accuracy of any information or opinions contained in this document or for the omission of any material information for which the Company and its Directors are solely responsible.

The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the UK who come into possession of this document should inform themselves about and observe any restrictions as regards the Placing of Ordinary Shares and/or the distribution of this document in their particular jurisdiction. This document does not constitute an offer of, or solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland and they may not be offered or sold directly or indirectly within the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland or to or for the account or benefit of any national, citizen or resident thereof.

Copies of this document will be available to the public free of charge at the offices of Close Brothers, 10 Crown Place, London EC2A 4FT during normal business hours on any weekday (excluding public holidays) from the date of this document until one month from Admission.

CONTENTS

Directors and Advisers	3
Definitions	4
Placing statistics	6
Expected timetable	6
Key information	7
Part I Information on the Company and details of the Placing	9
1. Introduction	9
2. Information on the Company	9
3. Competition	15
4. Summary financial information	16
5. Current trading and prospects	17
6. Reasons for Admission	17
7. Dividend policy	17
8. Corporate governance	17
9. Employee incentive schemes	17
10. The Placing and Admission	18
11. Lock-ins	18
12. CREST	18
13. Additional information	18
Part II Risk factors	19
Part III Financial information on the Company	21
Part IV Additional information	41

DIRECTORS AND ADVISERS

Directors

Stephen Trevor Gee
Simon Kossoff
Frank Bandura
Peter Webber
Scott Trimble Svenson
David Alan Bernstein

Executive Chairman
Managing Director
Finance Director
Non-Executive Director
Non-Executive Director
Non-Executive Director

all of

Registered and Head Office of the Company

12 Great Portland Street
London W1W 8QN

Nominated Adviser

Close Brothers Corporate Finance Limited
10 Crown Place
London EC2A 4FT

Broker

Altium Capital Limited
30 St. James's Square
London SW1Y 4AL

Solicitors to the Company

Jones Day
21 Tudor Street
London EC4Y 0DJ

Solicitors to Close Brothers and Altium

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London EC1A 4DD

Reporting Accountant and Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Bankers

Bank of Scotland
155 Bishopsgate
London EC2M 3YB

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

DEFINITIONS

In this document, the following words and expressions shall, except where the context requires otherwise, have the following meanings:

“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM Market operated by the London Stock Exchange
“AIM Rules”	the rules and guidance notes contained in Parts One and Two respectively of the booklet entitled “AIM RULES FOR COMPANIES” published by the London Stock Exchange and those other rules and guidance notes of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of, AIM
“Altium”	Altium Capital Limited, the Company’s nominated broker
“Articles”	the Articles of Association of the Company
“Board” or “Directors”	the board of directors of the Company, whose names are set out on page 3 of this document
“Carluccio’s” or “Company”	Carluccio’s plc
“City Code”	the City Code on Takeovers and Mergers
“Close Brothers”	Close Brothers Corporate Finance Limited, the Company’s nominated adviser
“Combined Code”	the revised combined code on the principles of good governance, and code of best practice as appended to but not forming part of, the Listing Rules of the UK Listing Authority
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding shares in uncertificated form which is administered by CRESTCo
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Equity Incentive Schemes”	the equity incentive schemes summarised in paragraph 9 of Part IV of this document
“2005 Equity Incentive Plan”	the 2005 equity incentive plan described in paragraph 9(b) of Part IV of this document
“Executive Directors”	the executive directors of the Company from time to time
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“London Stock Exchange”	London Stock Exchange plc
“Non-Executive Directors”	the non-executive directors of the Company from time to time
“Official List”	The Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company
“Placing”	the conditional placing by Altium of the Sale Shares, pursuant to the Placing Agreement and the Sale Agreements

“Placing Agreement”	the conditional agreement dated 8 December 2005 between Close Brothers, Altium, the Company, the Directors and certain Shareholders, further details of which are set out in paragraph 10 of Part IV of this document
“Placing Price”	94.5 pence per Sale Share
“Prospectus Rules”	the prospectus rules published by the FSA
“Remuneration Committee”	the remuneration committee of the Board
“Sale Agreements”	the conditional agreements between Altium and certain of the Selling Shareholders pursuant to which Altium has conditionally placed the Sale Shares on behalf of the Selling Shareholders, further details of which are set out in paragraph 10 of Part I of this document
“Sale Shares”	the 28,087,751 Ordinary Shares to be sold by the Selling Shareholders pursuant to the Placing
“Selling Shareholders”	certain Shareholders who are selling Ordinary Shares in the Placing, as described further in paragraph 10 of Part I of this document
“Shareholder”	a holder of Ordinary Shares
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	generally accepted accounting principles in the United Kingdom as defined by the Accounting Standards Board of the Financial Reporting Council
“UK Listing Authority”	the FSA, acting in its capacity as competent authority for the purposes of Part VI of FSMA
“USA” or “United States”	the United States of America

PLACING STATISTICS

Placing Price	94.5p
Number of Ordinary Shares in issue on Admission	56,738,285
Number of Sale Shares being placed on behalf of the Selling Shareholders	28,087,751
Percentage of the Company's issued share capital on Admission subject to the Placing	49.5%
Market capitalisation of the Company on Admission at the Placing Price	£53,617,679

EXPECTED TIMETABLE

	<u>2005</u>
Publication of this document	8 December
Admission and commencement of dealings in the Ordinary Shares on AIM	14 December
CREST accounts credited by	14 December
Expected date of despatch of definitive share certificates	21 December

KEY INFORMATION

The following information is extracted from, and should be read in conjunction with, the full text of this document. Prospective investors should read the whole of this document, including the risk factors set out in Part II of this document, and should not rely solely on the following summarised information.

Introduction

Carluccio's is the leading UK group of authentic Italian restaurants with integrated food shops. It is a high quality, value for money concept with an outstanding track record and strong roll-out potential. The first Carluccio's caffè and food shop opened in 1999, since which time the portfolio has grown to 24 stores.

The Carluccio's offer

Carluccio's is a high profile brand based on the core values of quality, value for money and authenticity. The offer combines an Italian caffè and food shop with the sales split approximately 78:22 between these areas. Customers are able to enjoy a coffee or a meal of genuine Italian food at any time of the day in a relaxed, visually appealing environment as well as purchasing a wide range of fresh food or a selection of authentic branded retail products. The caffès maintain a busy trade throughout the day, prospering even during the traditionally quiet mid-morning and mid-afternoon periods. This ability to trade all day has been a core factor in the Company's success to date.

At most Carluccio's locations, customers enter the caffè by first walking through the food shop area, which the Directors believe helps to draw customers into the caffès. The combination of caffè and food shop gives customers a range of reasons for visiting Carluccio's and helps the Company to build up a number of different relationships with its customers.

Management

The Company has an experienced management team with a proven track record in rolling out successful restaurant businesses. All of the Directors, with the exception of David Bernstein, have worked together at the Company since 1999, when the first Carluccio's caffè was opened, successfully expanding the portfolio of stores to 24 and delivering consistent growth in profits. The Non-Executive Directors provide the Company with a wealth of sector and other business experience both in the public and private markets.

The market

Growing restaurant market

The UK restaurant meals market (excluding expenditure on drinks) is forecast by Key Note to grow by 25 per cent. from £12.0 billion in 2004 to £15.0 billion in 2009 (Key Note Market Report Plus: Restaurants, September 2005).

Trend towards all day trading concepts

The Directors believe that, within the UK restaurant meals market, the casual dining segment is growing quickly and that all day trading concepts are potentially the fastest growing niche within this segment. This belief is supported by Carluccio's own trading performance, the strong trading performance recently reported by other all day trading concepts, the growth of coffee shop operators in the UK since the mid-1990s, the emergence of coffee shops as local social hubs and the growing popularity of casual snacking.

Growth strategy

The Directors believe that Carluccio's has significant growth potential within the UK, a view supported by a recent independent study commissioned by the Company which identified over 100 additional locations which could provide attractive sites for the Company. The Directors plan to continue to grow the Company's store portfolio by pursuing a measured roll-out strategy, which in the medium term is supported by a strong pipeline of potential sites. It is anticipated that the currently envisaged roll-out strategy will be financed through internally generated cash flow.

Financial record

Carluccio's has delivered consistent growth in profits, cash flow and return on capital employed over the past three years. During this period, the Company has financed its expansion programme through internally generated cash flow.

	52 weeks ended 28 September 2003	52 weeks ended 26 September 2004	52 weeks ended 25 September 2005
	£'000	£'000	£'000
Turnover	19,788	27,828	36,844
EBITDA ¹	2,251	3,139	4,476
Operating profit ¹	1,722	2,387	3,500
Net cash inflow from operating activities	2,149	4,674	5,663
Cash inflow before financing	275	907	973
Number of stores open at year end	13	17	22
Return on capital employed ^{1 and 2}	27%	33%	36%

The Directors believe that Carluccio's has achieved outstanding cash returns on capital invested ("CROCI") with an average CROCI³ for all stores open at September 2004 of 64 per cent.

Current trading and prospects

The Company has made continued progress since September 2005 with the Company as a whole trading in line with expectations for October 2005. Two new stores have opened since September 2005: one at Westbourne Corner, London W2 at the end of October 2005, which is currently trading above expectations; and, more recently, a store in Oxford, which has just opened.

The Directors plan to continue the successful expansion of the store portfolio and are confident about the future prospects of the Company.

Reasons for Admission

Admission will allow the Company to meet its commitment to Shareholders to provide a market for their shares within a reasonable timescale from their original investment. The majority of the Shareholders invested in the Company more than six years ago. Furthermore, the Directors believe that Admission will benefit the Company by raising its profile and increasing its ability to incentivise management and key employees under the Equity Incentive Schemes.

1 In respect of 2005, figures are stated pre-exceptional items

2 Calculated as operating profit ÷ total assets less current liabilities

3 Calculated as 2005 EBITDA before pre-opening expenses ÷ cumulative capital expenditure and expressed as a percentage. These figures have been extracted from management information

PART I
INFORMATION ON THE COMPANY AND DETAILS OF THE PLACING

1. Introduction

Carluccio's is the leading UK group of authentic Italian restaurants with integrated food shops. It is a high quality, value for money concept with an outstanding track record and strong roll-out potential. The first Carluccio's caffè and food shop opened in 1999, since which time the portfolio has grown to 24 stores.

2. Information on the Company

History and development

The first Carluccio's outlet began trading as an Italian food shop in Covent Garden in 1991 in a site adjacent to the Neal Street Restaurant, which remains separately owned by Antonio and Priscilla Carluccio. Based on the success of the initial retail operation, the idea was conceived to create a group of Carluccio's stores which would combine food shop and caffè, preserving the same core values of authenticity and quality as the food shop but also providing an informal contemporary value for money Italian caffè environment. The Carluccios and Stephen Gee, Simon Kossoff and Peter Webber (former directors of the restaurant and bar group My Kinda Town) joined together to create a concept which they felt had significant roll-out potential.

In July 1999, seed equity was raised from a group of investors to fund the first three sites. The first Carluccio's caffè opened in Market Place, London W1 in November 1999. Three further stores were opened in London during the course of financial year 2001: a basement concession within the Fenwick department store on Bond Street; the flagship location in St. Christopher's Place; and a predominantly residential location in Kingston upon Thames. The Company's success in such varied locations demonstrated the strength and flexibility of the Carluccio's concept.

A second stage equity fundraising from existing shareholders, via an over-subscribed rights issue, was conducted in November 2001. This fundraising, along with strong levels of internally generated cashflow, enabled the speed of roll-out to be increased, with a further 19 Carluccio's stores being opened since the 2001 financial year end.

The market

The UK restaurant meals market (excluding expenditure on drinks) is forecast by Key Note to grow by 25 per cent. from £12.0 billion in 2004 to £15.0 billion in 2009 (Key Note Market Report Plus: Restaurants, September 2005). This growth is being driven by a number of factors, including:

- favourable socio-economic trends and specifically projected growth in the AB socio-economic group;
- busier working lifestyles and the phenomenon of the "cash rich, time poor" consumer;
- eating out becoming more widely accepted as a mainstream leisure activity; and
- the increasing sophistication and attractiveness of customer offerings in the restaurant market in terms of quality, value and variety.

The Directors believe that, within the UK restaurant meals market, the casual dining segment is growing quickly and that all day trading concepts are potentially the fastest growing niche within this segment. This belief is supported by Carluccio's own trading performance, the strong trading performance recently reported by other all day trading concepts, the growth of coffee shop operators in the UK since the mid-1990s, the emergence of coffee shops as local social hubs and the growing popularity of casual snacking.

The business

Introduction

Carluccio's is a high profile brand based on the core values of quality, value for money and authenticity. The offer combines an Italian caffè and food shop with the sales split approximately 78:22 between these areas. At most Carluccio's locations, customers enter the caffè by first walking through the food shop area, which the Directors believe helps to draw customers into the stores. The combination of caffè and food shop gives customers a range of reasons for visiting Carluccio's and helps the Company to build up a

number of different relationships with its customers. The store-based offering is also supported by non-store based activities, such as a catering service, promotional activities in local communities and the website, which serves as an information source for customers as well as a sales opportunity for the Company.

Caffès

Carluccio's caffès combine high quality, value for money, authentic Italian food with efficient service in a visually appealing environment. The caffès have been designed to offer flexible locations that appeal to consumers for breakfast, a casual lunch, a quiet meeting in the afternoon or a relaxing dinner. This flexibility is critical to driving the all day trading which has enabled the Company to prosper even during the traditionally quiet mid-morning and mid-afternoon periods, generating cover turns of up to five times a day. This ability to trade throughout the day has been a core factor in the Company's success to date. Carluccio's serves approximately 65,000 customers per week in the caffès, which typically have around 90 internal seats each. Average spend per head varies widely throughout the day and the Directors believe that menu prices compare favourably with other casual dining concepts with starters ranging from £3.95 to £6.75, main courses almost all under £10 and desserts almost all under £5. Overall average spend per head in the caffè is circa £11.50.

Carluccio's has two seasonal menus each year: a spring / summer menu and an autumn / winter menu. In addition, each store offers a number of food and wine special menu items from a centrally held list which vary on a week by week basis. This allows local managers some flexibility to vary the food and drink offering and helps each caffè to develop its own individual character.

Food shops

Carluccio's food shops are stocked with a selection of authentic branded retail products imported from Italy, as well as a wide range of fresh foods from cold meats to cakes and pastries to seasonal vegetables. The Carluccio's food shop in Neal Street has been named as a supplier of Italian food and truffles to HRH the Prince of Wales in recognition of the quality of its products. The food shops also sell Antonio Carluccio's range of cookery books. Carluccio's carries out approximately 24,000 retail transactions per week in the food shops.

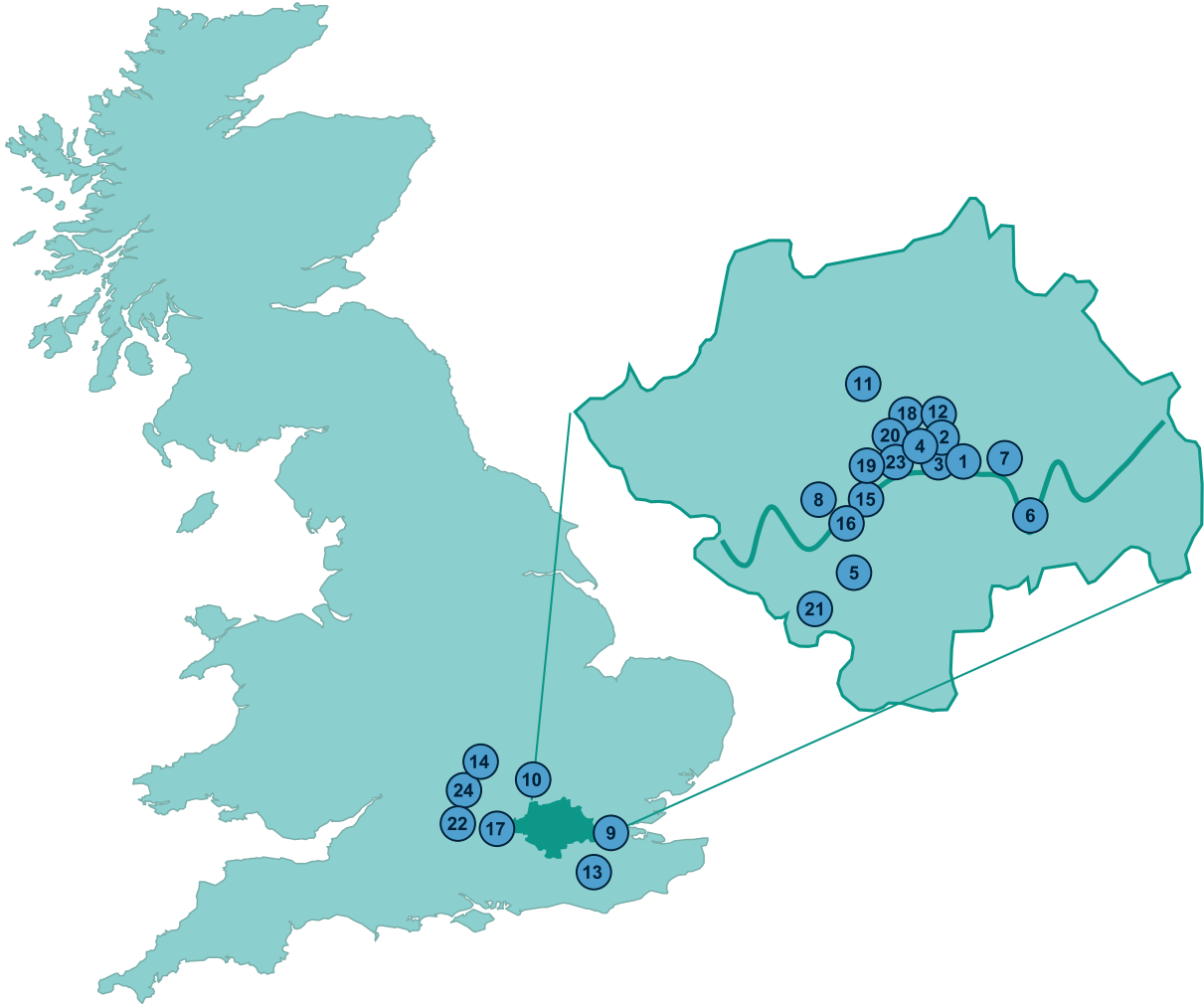
Locations

Carluccio's has been successful in a wide range of different types of location, both in terms of geography and the mix between residential, office and retail. The quality of the Company's existing sites is testament to the stringency of the site identification process. Furthermore, the Directors believe that the Company has been successful in securing prime sites ahead of its competitors as the combined caffè / retail offering and all day trading are a particularly appealing proposition to landlords of both residential and retail developments.

The Company's existing store portfolio can be broken down into a number of different categories:

- London city centre sites, where performance is driven to a large extent by high footfall rates and the presence of workplaces nearby. Stores in this category are St. Christopher's Place, Market Place, Canary Wharf, Smithfield, South Kensington and Neal Street.
- London stores with a predominantly residential customer base. Carluccio's stores in Ealing, Kingston upon Thames, Islington, Fulham, Putney, Hampstead, St. John's Wood and Westbourne Corner all fall into this category.
- Stores in regional towns such as Tunbridge Wells, Windsor, St. Albans, Esher and Reading.
- Stores in destination shopping locations: Bicester Village and Bluewater.
- Concessions in Bond Street and Brent Cross, which are located within Fenwick department stores.

The current geographical coverage of the Company's stores is shown below:



- | | | | |
|--|----------------------------------|---------------------------------|-------------------------------------|
| 1. Neal Street,
London WC2 | 7. Smithfield,
London EC1 | 13. Tunbridge Wells,
Kent | 19. South Kensington,
London SW7 |
| 2. Market Place,
London W1 | 8. Ealing, London W5 | 14. Bicester Village,
Oxon | 20. St. John's Wood,
London NW8 |
| 3. Bond Street,
London W1 | 9. Bluewater, Kent | 15. Fulham Road,
London SW10 | 21. Esher, Surrey |
| 4. St. Christopher's
Place, London W1 | 10. St. Albans,
Hertfordshire | 16. Putney, London
SW15 | 22. Reading, Berkshire |
| 5. Kingston upon
Thames, Surrey | 11. Brent Cross,
London NW4 | 17. Windsor, Berkshire | 23. Westbourne Corner,
London W2 |
| 6. Canary Wharf,
London E14 | 12. Islington,
London N1 | 18. Hampstead,
London NW3 | 24. Oxford, Oxon |

Growth strategy

The Directors believe that Carluccio's has significant growth potential within the UK and plan to continue to grow the Company's store portfolio by pursuing a measured roll-out strategy. Carluccio's was conceived as a roll-out concept and from the start key members of staff were appointed and systems and infrastructure put in place to develop a significantly larger business than currently exists. The processes and infrastructure within the business are all fully scaleable and the Directors all have experience of managing significantly larger businesses.

The Directors' view of the roll-out potential of Carluccio's is supported by a recent Market Potential Study which the Company commissioned from Inquirra Consulting Limited, supported by Experian Business Strategies. The study analysed the catchment areas and customer base of a number of existing Carluccio's sites and assessed the potential of the business to expand to other locations across the UK. The study concluded that there are many opportunities to roll out Carluccio's stores across the UK, identifying over 100 additional locations which could provide attractive sites for the Company.

The Company opened five new stores in the financial year to September 2005 and has opened two stores in the current financial year to date. The Company plans to open a further three stores prior to the financial year end. It has a strong pipeline of potential sites to support its medium term growth plans. It is anticipated that financing of the currently envisaged roll-out strategy will be through internally generated cash flow.

New store openings

Carluccio's has an efficient, proven process in place for opening new sites. At the site identification phase, potential sites are taken through a rigorous internal checking process which includes financial modeling, a number of site visits, challenge and validation from external consultants and an interior design feasibility study before being submitted to the Board for final approval.

Once Board approval has been given and a contract has been signed on a new site, the Development Director assumes responsibility for the design and build process, which typically lasts eight weeks, though this can be longer for a more complicated site. The Carluccio's design and build process is disciplined and well organised, with the great majority of work being completed on time and on budget.

The openings team consists of an Openings Manager, supported by three trainers responsible for food shop training, bar training and waiter training. The openings team has a period of twelve days to set the store up and train the new team and will typically remain at a site for a week to ten days after the opening to ensure that it is running smoothly. The Directors believe that this represents a high level of preparation and support for new store openings.

Management

The Company has a strong and experienced management team with a proven track record in rolling out successful restaurant businesses. All of the Directors, with the exception of David Bernstein, have worked together at the Company since 1999, when the first Carluccio's caffè was opened, successfully expanding the portfolio of stores to 24 and delivering consistent growth in profits. In addition, the Non-Executive Directors provide the Company with a wealth of sector and other business experience both in the public and private markets.

The Board and senior management team comprises:

Directors

Stephen Gee (Executive Chairman)—aged 61. Stephen is a chartered accountant and worked for several years in corporate finance and private equity. He was co-founder of My Kinda Town which developed a number of ground breaking American restaurant and bar brands and grew to more than 50 outlets in 16 countries. The company listed on the London Stock Exchange in 1994 at £1 per share and was taken over in 1996 at £1.90 per share. In 1997, he joined with Priscilla and Antonio Carluccio to start the Carluccio's caffè and food shop business. He has also been a director of a number of quoted and private companies.

Simon Kossoff (Managing Director)—aged 45. Simon is an economics graduate of York University and a post graduate of Manchester Polytechnic. He worked for PizzaExpress before joining My Kinda Town in 1986. Following management positions in London, Manchester and Glasgow, he was appointed UK Operations Director in 1993 and subsequently UK Managing Director in 1995. During 1998 and 1999,

whilst the Carluccio's concept was being developed, he acted as a consultant to several major hotel and restaurant businesses.

Frank Bandura (Finance Director)—aged 39. Frank is a chartered accountant. He qualified with KPMG in London before joining Pepsico International in 1992 as Finance Manager for Pizza Hut based in Warsaw, Poland. He then transferred back to the European Headquarters where over the next 4 years he held various financial planning and analysis roles culminating in Finance and Planning Manager for the UK and Ireland. Frank joined Carluccio's in September 1999.

Peter Webber (Non-Executive Director)—aged 66. Peter was for many years a director of Grand Metropolitan following which he created and developed the Harvester and Dome chains for The Imperial Group where he was a Managing Director. From 1986 to 1997 he was Managing Director of My Kinda Town during which time it grew from 5 to 57 restaurants and bars. In 1997 he joined with Priscilla and Antonio Carluccio to start the Carluccio's caffè and food shop business. He now acts as a consultant to a number of international hotel and leisure organisations and is a director of several companies.

Scott Svenson (Non-Executive Director)—aged 39. Scott was Co-Founder and CEO of Seattle Coffee Company, the pioneer in the UK gourmet coffee market, which he grew to over 75 retail locations before selling the business to Starbucks. Following the sale, Scott became President of Starbucks UK and subsequently President of Starbucks Europe. Scott, who also has a background in corporate finance and private equity, now resides in Seattle and runs the Sienna Group, a private investment company.

David Bernstein (Non-Executive Director)—aged 62. David has extensive experience in the retail and leisure industries and is currently chairman of Blacks Leisure Group Plc, Pantheon Leisure Plc and Frank Thomas (Group) Limited and a non-executive director of Ted Baker Plc, Wembley National Stadium Limited and Noble House Leisure Limited. He was previously Joint Managing Director of Pentland Group Plc, Chairman of Manchester City Plc and a non-executive director of French Connection Plc.

Operating Management Board

The day-to-day running of the business is carried out by the Operating Management Board. This comprises Simon Kossoff, Frank Bandura and the following senior managers:

Sarah Murray (Operations Director)—aged 31. Sarah graduated from Aberdeen University in 1995 with a degree in Law and went on to complete a postgraduate diploma in Management Studies at Robert Gordon University. She then moved to London on a graduate management training programme with My Kinda Town and managed theme restaurants/bars until August 1997. Following an interim period of programming and installing hospitality solution software for Micros Fidelio she joined Carluccio's in October 1999. Sarah opened the first Carluccio's caffè in Market Place, London W1 as General Manager and moved on to become Operations Manager when the next caffè opened in November 2000. Sarah was appointed Operations Director in January 2005.

Aileen Moodie (HR and Training Director)—aged 41. Aileen graduated from Strathclyde University with a BA in Hospitality Management. After working for Pizzaland as General Manager and then Projects Manager, she joined My Kinda Town, first as a General Manager running their Glasgow restaurant and then as UK Training and Recruitment Manager. She then ran her own hospitality training and personnel company for a period of two years delivering training to a variety of hospitality companies within the London area. In 2001 she joined Carluccio's as Head of Training and Personnel. In January 2005 she was appointed HR & Training Director.

Alison Stanton (Development Director)—aged 36. Alison studied hotel management in Huddersfield and then spent 5 years in management positions in various 4 and 5 star hotels. In 1994 she joined My Kinda Town and worked as a manager in several restaurants before joining the team responsible for new openings. In 1997, she joined All Bar One as a general manager where she assisted with the opening programme during its peak expansion period. Subsequently Alison joined the Devey Group as project manager working on the Smithfield Village development in Dublin which included a 73 bedroom hotel and 10,000 sq ft of retail space. She joined Carluccio's in February 2000.

Emma Woodford (Retail Buyer)—aged 33. Emma, a graduate of Imperial College London, worked for several years at Harrods where she held a number of different roles before taking up a position as buyer at the Conran Bluebird store. In 1999 she moved to Selfridges as food buyer and in 2004 was appointed buying manager for grocery and confectionery in all four of the Selfridges stores where she was responsible for over 3,000 lines sourced from Europe, America and Asia. In this role she was responsible for

promotional activities, product launches and the introduction of new concepts. She joined Carluccio's in May 2005 as Retail Buyer.

The Carluccios

Antonio and Priscilla Carluccio have been instrumental in building the Carluccio's branded packaged goods business and conceived the idea of combining a caffè and food shop. Whilst they have stepped down from the board, they will continue to be involved with the Company. Following Admission, Antonio and Priscilla Carluccio will act as consultants to the Company on a part time basis. It is intended that Antonio's principal roles will be to represent the Company to customers and the consumer media as well as the continued development of food products and new menu items. Priscilla will continue to advise on the development of the Carluccio's branded food range and all aspects of new store and graphic design. Details of their consultancy agreements are set out in paragraph 10 of Part IV of this document.

Marketing and sales

The Company's marketing approach is driven by local considerations and events at each of its sites. The focus is on building up links with local communities and participating in local events, particularly where these have a strong public relations angle. Examples of events with which the Company has recently been involved include:

- The Italian film festival in Hampstead in September 2005;
- Hosting a party at the Almeida Theatre in Islington in June 2005;
- Providing picnic hampers for the Ashes Test at Lords in July 2005; and
- The "Taste of London" food festival in June 2005.

These local events are supplemented by a range of in-store promotional activities, often focusing on a single product (e.g. olive oil, tomatoes, mushrooms, Italian wine), as well as by seasonal promotional activities, particularly in the lead up to Christmas.

The Company's marketing is supported by online sales of Carluccio's branded goods through its website, www.carluccios.com and a catering service run for a wide range of occasions from the individual stores. These activities serve as brand awareness channels. In addition, the Company maintains a database of about 30,000 customers who receive mail shots and promotional material for new store openings, special events and activities etc.

Antonio Carluccio's books and wide-ranging media commitments provide additional exposure for the brand.

Procurement

The Company has developed relationships with a number of high quality Italian based suppliers to provide branded products for Carluccio's stores. This supplier base, which has taken many years to develop, is a key asset of the business which, the Directors believe, would be difficult for competitors to replicate.

Fresh produce is sourced from UK based suppliers with the assistance of a food procurement company to ensure that the Company receives optimal quality and value for all of the food products used in its stores.

The Directors believe that the Company is not unduly dependent on any one supplier or group of suppliers and are confident that both the UK and Italian supply chains are fully scaleable.

Quality control

In order to ensure consistency of product across the stores, detailed, costed recipes are developed centrally and then made available to the stores via the Company's Electronic Point of Sale (EPoS) system. Chefs learn new menu items at the Company's training kitchen in Islington, London and have ready access to the training and development team for additional support where required. For special menu items, Head Chefs are free to choose from a centrally held list of recipes which are taught and supported in the same way.

In order to ensure that the existing high standards are maintained, the Company carries out regular internal quality audits of each store and a mystery diner programme performed by independent consultants

which addresses the performance of both the caffè and retail elements of the stores against a number of pre-agreed criteria.

HR and training

The Company places considerable emphasis on training which the Directors believe is fundamental to maintaining high standards of quality across the business. All new staff attend a half day induction course and dedicated training programmes are in place for new managers (lasting for eight to eighteen weeks) and chefs (lasting four to six weeks). In addition, the HR and Training Director runs a series of additional short courses with her team, focusing both on teaching best business practices and developing an understanding and appreciation of the quality of Carluccio's produce (e.g. wine tasting, olive oil, hams and salamis etc).

The Company recognises the need to develop, train and invest in its chefs. Three times a year, it invites a selection of twelve of its existing chefs to take part in its Cook's School, with the aim of improving their skills and providing the basis for future training and development. This internal course is run in conjunction with Westminster Kingsway College as part of the chef's working week and focuses on practical, hands-on experience. Ongoing training for junior chefs is provided through weekly sessions in the training zone of the Carluccio's Islington kitchen, run by one of the Company's two Training and Development Chefs. In addition, six of Carluccio's existing Head Chefs are selected each year to attend a bespoke, two week course at the "Italian Culinary Institute for Foreigners" in Costigliole d'Asti, Turin. The extent of this training programme is the key to maintaining quality across all of Carluccio's kitchens, while helping to manage chef retention at all levels across the business.

Information technology

The Company has made significant investments in current technology, using software and systems that are at the leading edge of the hospitality industry:

- The Micros Electronic Point of Sale (EPoS) system allows the Company to record every item purchased by a customer by date and time, to download price and recipe changes overnight and to compare actual food cost to theoretical food cost.
- A fully integrated Fourth Hospitality employee record management, rota and payroll system provides management with information on the real time financial impact of rota changes as well as helping the Company minimise paperwork.
- Each store has broadband connectivity to a Virtual Private Network, allowing remote access to the main office computers from anywhere within the Company's properties.

As a result of these investments, daily restaurant reports are produced overnight, daily sales figures are available by 10 a.m. the following day, daily payroll and weekly profit and loss figures are produced automatically and draft management accounts are available within seven business days of each month end.

Intellectual property

The Company has the right to use the Carluccio's brand name and logos on a worldwide basis pursuant to an irrevocable and perpetual trade mark licence. The licence permits the exclusive use by the Company of the Carluccio's name without restriction other than for certain limited uses which are reserved for the licensors, Antonio and Priscilla Carluccio. Further details of the trade mark licence are contained in paragraph 10 of Part IV of this document.

3. Competition

The Directors believe that, with its clearly differentiated offering, there are no rival chains which compete directly with the Company across its full range of activities. However, they believe that the Company's principal competition is from other branded restaurant concepts within the casual dining sector. In addition, the Directors believe that, outside conventional meal times, the Company competes with the main coffee bar chains and other branded restaurant concepts which trade throughout the day, such as Tragus, which operates brands including Café Rouge. The Directors also believe that the Company's retail operations compete to some extent with high quality food retailers.

Within the casual dining sector it is difficult to define any individual concept as being more directly competitive than another. Rather, competition comes from the increasing number of successful offerings within the sector which provide the consumer with more choice. The Directors believe that whilst the market for casual dining will continue to be competitive, the Company, through its clearly differentiated offering, is well positioned to continue its growth.

4. Summary financial information

The summary financial information relating to the Company set out below (other than the CROCI figures as defined below) has been derived from, and should be read in conjunction with, the accountant's report set out in Part III of this document.

	52 weeks ended 28 September 2003	52 weeks ended 26 September 2004	52 weeks ended 25 September 2005
	£'000	£'000	£'000
Turnover	19,788	27,828	36,844
EBITDA ¹	2,251	3,139	4,476
Operating profit ¹	1,722	2,387	3,500
Net cash inflow from operating activities	2,149	4,674	5,663
Cash inflow before financing	275	907	973
Number of stores open at year end	13	17	22
Return on capital employed ^{1 and 2}	27%	33%	36%

The Company has delivered consistent growth in profits, cash flow and return on capital employed over the past three years, as well as uninterrupted turnover and profit (excluding pre-opening expenses and exceptional expenses) growth for the past five years. One of the main drivers of this growth in profits has been the Company's excellent track record on new store openings. Every store opened since the Company's first combined caffè and food store, which opened in Market Place, London W1 in November 1999, has reported a profit (excluding pre-opening expenses) in its first full month of trading. Furthermore, there have been no store closures in the Company's history. All of the Company's new store openings over the past three years have been financed through internally generated cash flow.

The Directors believe that Carluccio's has achieved outstanding cash returns on capital invested ("CROCI") as demonstrated by the table below, which shows CROCI³ for all stores open at September 2004.

<u>Location</u>	<u>CROCI (%)³</u>
Caffès	
Market Place	74%
St. Christopher's Place	70%
Kingston upon Thames	85%
Canary Wharf	90%
Smithfield	88%
Ealing	48%
Bluewater	101%
St. Albans	43%
Islington	73%
Tunbridge Wells	30%
Bicester	61%
Fulham Road	39%
Putney	58%
Windsor	25%
Concessions	
Bond Street	87%
Brent Cross	126%
Retail	
Neal Street	37%
Average	64%

1 In respect of 2005, figures are stated pre-exceptional items

2 Calculated as operating profit ÷ total assets less current liabilities

3 Calculated as 2005 EBITDA before pre-opening expenses ÷ cumulative capital expenditure and expressed as a percentage. These figures have been extracted from management information

5. Current trading and prospects

The Company has made continued progress since September 2005 with the Company as a whole trading in line with expectations for October 2005. Two new stores have opened since September 2005: one at Westbourne Corner, London W2 at the end of October 2005, which is currently trading above expectations; and, more recently, a store in Oxford, which has just opened.

The Directors plan to continue the successful expansion of the store portfolio and are confident about the future prospects of the Company.

6. Reasons for Admission

Admission will allow the Company to meet its commitment to Shareholders to provide a market for their shares within a reasonable timescale from their original investment. The majority of Shareholders invested in the Company more than six years ago. Furthermore, the Directors believe that Admission will benefit the Company by raising its profile and increasing its ability to incentivise management and key employees under the Equity Incentive Schemes.

7. Dividend policy

The Company intends to pursue a progressive dividend policy for Shareholders. It is currently anticipated that a dividend payment will be declared in the first year post Admission.

8. Corporate governance

The Directors recognise the value and importance of high standards of corporate governance and intend to observe the principal provisions of the Combined Code to the extent they consider appropriate in the light of the Company's size.

The Company has established audit and remuneration committees of the Board with formally delegated duties and responsibilities.

The audit committee has a primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet at least twice a year and will have unrestricted access to the Company's auditors. The chairman of the audit committee is David Bernstein.

The remuneration committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The remuneration committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The chairman of the remuneration committee is David Bernstein.

The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' and applicable employees' dealings in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

9. Employee incentive schemes

The Directors believe that equity incentives are and will continue to be an important means of retaining, attracting and motivating key employees. Therefore, the Directors propose to offer to key employees the opportunity to participate in the future growth of the Company through appropriate share incentives to be awarded under the 2005 Equity Incentive Plan. The first such awards will be made on Admission and will comprise tax-favoured enterprise management share options and unapproved share options over, in aggregate, 3,000,000 Ordinary Shares. The nature of the awards granted to particular key employees will be determined by the Remuneration Committee, taking into account the specific circumstances of each employee and the incentive goals to be achieved. For the Executive Directors, the Remuneration Committee will make the vesting of all options conditional upon the achievement of appropriate performance conditions relating to the Company (save in certain exceptional circumstances). The vesting of some of the options to certain senior managers will also be subject to such performance conditions. For the remainder of the options awarded to those senior managers, and all options granted to less senior key employees, the vesting of options will depend only on continuation of employment for a specified period

(again, save in certain exceptional circumstances). Further details of existing share options, the 2005 Equity Incentive Plan and awards under the 2005 Equity Incentive Plan proposed to be made on Admission are set out in Part IV of this document.

10. The Placing and Admission

Pursuant to the Placing, 28,087,751 Sale Shares are being sold by the Selling Shareholders (representing approximately 49.5 per cent. of the Company's issued share capital on Admission). Of these 28,087,751 Sale Shares, 10,345,000 are being sold by Antonio and Priscilla Carluccio (representing approximately 18.2 per cent. of the Company's issued share capital on Admission) which will reduce their shareholding in the Company to 1,694,380 Ordinary Shares (representing approximately 3.0 per cent. of the Company's issued share capital on Admission). The Directors, in aggregate, are selling 7,419,500 Sale Shares pursuant to the Placing (representing approximately 13.1 per cent. of the Company's issued share capital on Admission) and will, in aggregate, hold or be interested in 12,313,390 Ordinary Shares on Admission (representing approximately 21.7 per cent. of the Company's issued share capital on Admission).

The Sale Shares have been conditionally placed by Altium, as agent for the Selling Shareholders, with institutional investors. The Placing has been underwritten by Altium and is conditional, *inter alia*, upon Admission becoming effective by no later than 14 December 2005 (or such later date, being no later than 31 January 2006, as the Company, Close Brothers and Altium may agree). Details of the Placing Agreement are set out in paragraph 10 of Part IV of this document.

Application has been made to the London Stock Exchange for the entire issued and to be issued share capital of the Company to be admitted to trading on AIM. It is expected that Admission will be effected and that dealings in the Ordinary Shares will commence on 14 December 2005.

11. Lock-ins

Each of the Directors has given undertakings to Close Brothers, Altium and the Company that he will not (i) dispose of any Ordinary Shares he holds on Admission (subject to certain limited exceptions) for a period of 12 months from the date of Admission (the "Directors Lock-in Period"); or (ii) dispose of any Ordinary Shares he holds on Admission other than through Altium (or the Company's broker if Altium is no longer the broker) for a further period of 12 months from the end of the Directors Lock-in Period.

In addition to the Directors, other existing Shareholders (including Priscilla Carluccio) (who immediately following Admission will hold, in aggregate, 14,289,334 Ordinary Shares, representing approximately 25.2 per cent. of the Company's issued share capital on Admission), have given undertakings to Close Brothers, Altium and the Company that they will not (i) dispose of any Ordinary Shares (subject to certain limited exceptions) for a period of six months from the date of Admission (the "Shareholders Lock-in Period"); or (ii) dispose of any Ordinary Shares held on Admission other than through Altium (or the Company's broker if Altium is no longer the broker) for a further period of six months from the end of the Shareholders Lock-in Period.

12. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Company's articles of association permit its shares to be evidenced in uncertificated form and the Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish and provided such person is a "system member" (as defined in the CREST Regulations) in relation to CREST. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

13. Additional information

The attention of prospective investors is drawn to the information contained in Parts II to IV of this document which provide additional information on the Company. In particular, prospective investors are advised to consider carefully Part II of this document, entitled "Risk Factors".

PART II

RISK FACTORS

Potential investors should carefully consider the risks described below before making any decision to invest in the Company. The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult a person authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

The Directors consider the following risks to be the most significant for potential investors in the Company. The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in the Company. In particular, the Company's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements.

Securities traded on AIM

The Ordinary Shares will be traded on AIM rather than the Official List. An investment in shares traded on AIM may carry a higher risk than those listed on the Official List.

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares.

Share price effect of sales of Ordinary Shares

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain Shareholders following expiry of the lock-in period (or otherwise), as detailed in paragraph 11 of Part I of this document, or the perception that sales of such shares could occur.

Dependence on key executives and personnel

The Company's future success is substantially dependent on the continued services and performance of its Executive Directors and senior management and its ability to continue to attract and retain highly skilled and qualified personnel. The Directors cannot give assurances that members of the senior management team and the Executive Directors will remain with the Company. The loss of the services of the Directors, members of senior management and other key employees could damage the Company's business. As described in this document, the Company has put in place incentive schemes in order to enhance its ability to retain key personnel.

Further details on the Directors and senior management are contained in paragraph 2 of Part I of this document.

The market

The Company is likely to face competition from other entities operating in its business sector which may have greater resources than the Company and, as a result, the Company could be affected by the competitive pressures that result.

It is possible that 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 Company's outlets. However, the Directors believe that the casual dining sector, with its emphasis on a high quality, value for money offering, will be well placed competitively to cope with any such recessionary pressures.

Weather considerations

The Company has a number of outdoor seating areas across its caffè portfolio and in the summer months several caffès can add a significant number of additional covers through outdoor dining facilities. The success of these outdoor dining areas depends to a large degree on the weather throughout the summer months.

Smoking ban

The government published a draft bill in October 2005 under which it has proposed new regulations which will ban smoking in pubs, restaurants and other licensed premises that serve food. At this stage, the Directors do not believe that any such ban will adversely affect the Company. However, until any such ban becomes law it is too early to determine what effect, if any, it may have on the Company's restaurants and on the casual dining sector as a whole.

Food related health concerns and liability

The food and beverage industries can be adversely affected by litigation and complaints from customers or regulatory authorities resulting from quality, illness, injury or other health concerns or other issues stemming from one product or a number of products including products provided by the Company. Such litigation, concerns and complaints and any adverse publicity surrounding such issues may have a material adverse effect on the Company or the restaurant sector generally and therefore the Company.

Flu pandemic

In the event that the possibility disclosed in recent reports of a flu pandemic materialises, there may be a material adverse impact on the Company's workforce and on current trading.

Terrorist activity

There was a short term downturn in trade in the Company's central London stores following the terrorist attacks of July, though prior performance has since been restored during the Autumn. There is a risk that further terrorist activity in London could have a detrimental impact on trading.

Past performance is not an indicator of future performance

This admission document includes information about the historical financial performance of the Company. Past performance is not, however, a guarantee as to the future financial performance of the Company, which may be materially different from its past performance and which may be adversely affected by, amongst other things, the risk factors described in this Part II.

PART III
SECTION A—ACCOUNTANT’S REPORT ON THE COMPANY



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
Carluccios’s plc
12 Great Portland Street
London
W1W 8QN

The Directors
Close Brothers Corporate Finance Limited
10 Crown Place
London
EC2A 4FT

8 December 2005

Dear Sirs

Carluccio’s plc (“Carluccio’s” or the “Company”)

We report on the financial information set out in Part III Section B. This financial information has been prepared for inclusion in Part III Section B of the admission document dated 8 December 2005 of the Company (the “Admission Document”) on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with the AIM Rules and for no other purpose.

Responsibilities

As described in Part III Section B of the Admission Document, the directors of the Company are responsible for the preparing the financial information on the basis of preparation set out in the financial information and in accordance with applicable UK accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in the financial information and in accordance with applicable UK accounting standards as described in Part III Section B.

Declaration

For the purposes of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART III

SECTION B—FINANCIAL INFORMATION ON THE COMPANY

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out below in Note 1 in accordance with applicable UK accounting standards.

Profit and loss accounts

	Notes	Period ended 28 September 2003 £'000	Period ended 26 September 2004 £'000	Period ended 25 September 2005 £'000
Turnover	2	19,788	27,828	36,844
Cost of sales		(15,298)	(21,617)	(29,367)
Gross profit		4,490	6,211	7,477
Pre-opening expenses		(371)	(779)	(837)
Exceptional cost	3	—	—	(236)
Other operating expenses		(2,397)	(3,045)	(3,140)
Administrative expenses		(2,768)	(3,824)	(4,213)
Operating profit	4	1,722	2,387	3,264
Interest receivable		40	32	38
Interest payable and similar charges	7	(149)	(96)	(58)
Profit on ordinary activities before taxation		1,613	2,323	3,244
Tax on profit from ordinary activities	8	(539)	(708)	(1,022)
Profit on ordinary activities after taxation		1,074	1,615	2,222
Dividends	9	—	—	(316)
Retained profit for the period after taxation		1,074	1,615	1,906
Earnings per share	10	22.4p	33.5p	42.4p

All amounts relate to continuing activities.

There are no recognised gains and losses for the period other than those stated in the profit and loss account.

Balance sheets

	Notes	As at 28 September 2003 £000	As at 26 September 2004 £000	As at 25 September 2005 £000
Fixed assets				
Intangible assets	11	18	22	24
Tangible assets	12	6,802	9,740	12,543
		<u>6,820</u>	<u>9,762</u>	<u>12,567</u>
Current assets				
Stock	13	589	793	940
Debtors	14	824	972	1,398
Cash at bank and in hand		1,559	1,340	2,038
		<u>2,972</u>	<u>3,105</u>	<u>4,376</u>
Creditors: amounts falling due within one year	15	<u>(3,422)</u>	<u>(5,572)</u>	<u>(7,319)</u>
Net current liabilities		<u>(450)</u>	<u>(2,467)</u>	<u>(2,943)</u>
Total assets less current liabilities		6,370	7,295	9,624
Creditors: amounts falling due after more than one year	15	(983)	(31)	—
Provisions for liabilities and charges	17	<u>(530)</u>	<u>(706)</u>	<u>(948)</u>
		<u>4,857</u>	<u>6,558</u>	<u>8,676</u>
Capital and reserves				
Called up share capital	18	2,400	2,427	2,732
Share premium account	19	1,578	1,637	1,544
Profit and loss account	19	879	2,494	4,400
Shareholders' funds—Equity	20	<u>4,857</u>	<u>6,558</u>	<u>8,676</u>

Cash flow statements

	Notes	Period ended 28 September 2003 £000	Period ended 26 September 2004 £000	Period ended 25 September 2005 £000
Net cash inflow from operating activities	25	2,149	4,674	5,663
Returns on investments and servicing of finance				
Interest received		40	32	38
Interest paid		(149)	(96)	(58)
Net cash outflow from returns on investments and servicing of finance		(109)	(64)	(20)
Taxation		—	(9)	(897)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,771)	(3,688)	(3,779)
Purchase of intangible fixed assets		(6)	(6)	(5)
Sale of tangible fixed assets		12	—	11
Net cash outflow from capital expenditure		(1,765)	(3,694)	(3,773)
Cash inflow before financing		275	907	973
Equity dividend paid		—	—	(316)
Financing				
Issue of ordinary share capital		—	86	212
Repayment of loans		—	(1,000)	—
Capital element of finance lease payments		(210)	(212)	(171)
Cash (outflow)/inflow from financing		(210)	(1,126)	41
Increase/(decrease) in cash for the period	26	65	(219)	698

Notes to the financial information

1 ACCOUNTING POLICIES

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information:

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life starting from the date that the asset is first brought into use:

Furniture, fixtures and equipment	—	10%–33% on a straight line basis
Motor vehicles	—	33% on a straight line basis

Short term leasehold properties and improvements thereto are depreciated over the length of the lease except where the anticipated renewal or extension of the lease is sufficiently certain so that a longer estimated useful life is appropriate. The maximum depreciation period for short term leasehold properties is 25 years.

No depreciation is charged on assets in the course of construction.

Pre-opening expenses

Pre-opening expenses comprise expenditure on the creation and marketing of new caffè and food shops. These are expensed in the period incurred.

Stock

Stock is valued at the lower of cost and net realisable value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at an average rate of exchange for the period unless a contracted rate has been negotiated, in which case this rate is used.

Intangible assets

Intangible assets comprise trademarks. These are shown at cost.

Intangible assets are amortised through the profit and loss account in equal instalments over the shorter of their estimated useful lives or 20 years.

Leases

Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Pensions

Contributions payable to employee's personal pension plans are charged to the profit and loss account in the period to which they relate. The Company does not participate in a defined benefit scheme.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax. Deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Rent free periods

Rent free periods are treated as deferred income and amortised over the period from lease completion to the date of the first rent review.

Share options

When share options are awarded to employees, a charge is made to the profit and loss account based on the difference between the market value of the Company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (revised 2003) 'Employee Share Schemes.'

The charge to the profit and loss account is apportioned on a straight line basis over the period of the option from the date of grant to the earliest date at which the option may be exercised.

2 TURNOVER, PROFIT AND NET ASSETS

The turnover and profit before taxation are attributable to the principal activity of the Company which is carried out wholly in the UK.

3 EXCEPTIONAL COSTS

These relate to costs incurred in preparing the Company for listing on AIM, a market operated by the London Stock Exchange.

4 OPERATING PROFIT

This is arrived at after charging/(crediting)

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Hire of other assets—operating leases	1,420	2,129	2,966
Amortisation of intangibles	1	2	3
Depreciation—owned assets	418	634	920
Depreciation—leased assets	110	116	53
(Profit)/loss on disposal of fixed assets	(13)	—	(9)
Auditors' remuneration			
audit services	14	20	20
non-audit services	6	18	145

5 EMPLOYEES

The average number of employees during the periods, including executive directors, was:

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	Number	Number	Number
Administration	25	27	29
Caff� and food shops	428	625	802
	<u>453</u>	<u>652</u>	<u>831</u>

Staff costs for all employees, including executive directors, consist of:

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	�000	�000	�000
Wages and salaries	5,814	8,307	11,298
Social security costs	466	701	1,084
Pension costs	18	19	44
	<u>6,298</u>	<u>9,027</u>	<u>12,426</u>

6 DIRECTORS

	Basic salary	Performance related bonus	Benefits in kind	Pension	Total
	£000	£000	£000	£000	£000
28 September 2003					
Stephen Gee	30	—	—	—	30
Simon Kossoff	106	32	16	12	166
Frank Bandura	68	20	4	6	98
Antonio Carluccio	25	—	5	—	30
Priscilla Carluccio	54	—	5	—	59
Scott Svenson	15	—	—	—	15
Peter Webber	15	—	—	—	15
	<u>313</u>	<u>52</u>	<u>30</u>	<u>18</u>	<u>413</u>
26 September 2004					
Stephen Gee	33	—	—	—	33
Simon Kossoff	117	35	18	12	182
Frank Bandura	74	22	4	7	107
Antonio Carluccio	28	—	4	—	32
Priscilla Carluccio	60	—	8	—	68
Scott Svenson	18	—	—	—	18
Peter Webber	18	—	—	—	18
	<u>348</u>	<u>57</u>	<u>34</u>	<u>19</u>	<u>458</u>
25 September 2005					
Stephen Gee	35	—	—	—	35
Simon Kossoff	130	39	20	14	203
Frank Bandura	82	25	4	4	115
Antonio Carluccio	45	—	7	—	52
Priscilla Carluccio	66	—	9	26	101
Scott Svenson	18	—	—	—	18
Peter Webber	18	—	—	—	18
	<u>394</u>	<u>64</u>	<u>40</u>	<u>44</u>	<u>542</u>

Benefits in kind includes car allowances and expenses, medical insurance, professional subscriptions and permanent health insurance.

Pension represents contributions to private pension schemes.

The movement in the share options of the directors under the option scheme for the three year period are set out below:

Director	Date of grant/ exercise	Exercisable from	Expiry date	Number of shares	Exercise price
Simon Kossoff	09/02/01	27/07/02	09/02/11	72,000	£1.01
Frank Bandura	09/02/01	27/09/02	09/02/11	40,000	£1.01
Outstanding:					
30/09/02				112,000	
<i>Granted in year</i>					
Simon Kossoff	09/12/02	09/12/05	09/12/12	27,009	£1.60
Simon Kossoff	09/12/02	09/12/02	09/12/12	53,991	£1.60
Frank Bandura	09/12/02	09/12/05	09/12/12	10,000	£1.60
Outstanding:					
28/09/03				203,000	
<i>Granted in year</i>					
Simon Kossoff	28/11/03	28/11/06	28/11/13	20,000	£2.00
Frank Bandura	28/11/03	28/11/06	28/11/13	10,000	£2.00
Simon Kossoff	19/02/04	19/02/07	19/02/14	20,000	£3.10
Frank Bandura	19/02/04	19/02/07	19/02/14	10,000	£3.10
<i>Exercised in year</i>					
Simon Kossoff	01/06/04	09/12/02	09/12/12	(53,991)	£1.60
Outstanding:					
26/09/04				209,009	
<i>Granted in year</i>					
Frank Bandura	21/01/05	21/01/08	21/01/15	10,000	£4.00
Frank Bandura	22/07/05	22/07/08	22/07/15	4,000	£6.50
Outstanding:					
25/09/05				223,009	

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Interest on:			
Finance leases	54	29	25
Other	95	67	33
	149	96	58

8 TAXATION ON PROFIT FROM ORDINARY ACTIVITIES

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
UK corporation tax in respect of period	9	532	780
Transfer to deferred taxation account	530	176	242
	539	708	1,022

The tax assessed for each year differs from that obtained by using the standard rate of corporation tax in the UK. The differences are explained below:

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Profit on ordinary activities before tax	<u>1,613</u>	<u>2,323</u>	<u>3,244</u>
Tax on profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004–30%, 2003–30%)	483	696	973
Effects of:			
Expenses not deductible for tax purposes	60	90	188
Relief on Ratchet Shares	—	—	(139)
Rate differences	(5)	—	—
Capital allowances in excess of depreciation	(146)	(191)	(247)
Utilisation of tax losses	(427)	(35)	—
Other timing differences	44	(28)	5
	<u>9</u>	<u>532</u>	<u>780</u>

9 DIVIDEND

The Company paid a dividend of 6.5p per share during the period ended 25 September 2005 to all shareholders on the register as at 31 January 2005. The total interim dividend paid was £316,000.

10 EARNINGS PER SHARE

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit after tax are as follows:

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Weighted average number of equity shares ('000s)	<u>4,800</u>	<u>4,817</u>	<u>5,241</u>
Earnings, being profit after tax	<u>1,074</u>	<u>1,615</u>	<u>2,222</u>
Earnings per share	<u>22.4p</u>	<u>33.5p</u>	<u>42.4p</u>

11 INTANGIBLE ASSETS

	<u>Trademarks</u>
	<u>£000</u>
Cost	
As at 30 September 2002	14
Additions	6
As at 28 September 2003	<u>20</u>
Additions	6
As at 26 September 2004	26
Additions	5
As at 25 September 2005	<u><u>31</u></u>
Amortisation	
As at 30 September 2002	1
Provided for in the period	1
As at 28 September 2003	2
Provided for in the period	2
As at 26 September 2004	4
Provided for in the period	3
As at 25 September 2005	<u><u>7</u></u>
Net book value	
As at 30 September 2002	<u>13</u>
As at 28 September 2003	<u>18</u>
As at 26 September 2004	<u>22</u>
As at 25 September 2005	<u><u>24</u></u>

12 TANGIBLE ASSETS

	Short term leasehold property	Leasehold improvements	Furniture, fixtures and computer equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
As at 30 September 2002 . . .	870	3,730	1,601	—	6,201
Reclassification	—	—	(70)	—	(70)
Additions	180	854	638	98	1,770
Disposals	—	—	(23)	—	(23)
As at 28 September 2003 . .	1,050	4,584	2,146	98	7,878
Reclassification	11	87	—	(98)	—
Additions	375	1,589	844	880	3,688
As at 26 September 2004 . .	1,436	6,260	2,990	880	11,566
Additions	180	2,227	1,056	316	3,779
Reclassification	680	195	5	(880)	—
Disposals	—	—	(24)	—	(24)
As at 25 September 2005 . .	2,296	8,682	4,027	316	15,321
Depreciation					
As at 30 September 2002 . . .	44	228	299	—	571
Provided for in the period . .	47	193	288	—	528
Disposal	—	—	(23)	—	(23)
As at 28 September 2003 . .	91	421	564	—	1,076
Provided for in the period . .	60	285	405	—	750
As at 26 September 2004 . .	151	706	969	—	1,826
Provided for in the period . .	89	373	511	—	973
Disposal	—	—	(21)	—	(21)
As at 25 September 2005 . .	240	1,079	1,459	—	2,778
Net book value					
As at 30 September 2002 . . .	826	3,502	1,302	—	5,630
As at 28 September 2003 . . .	959	4,163	1,582	98	6,802
As at 26 September 2004 . . .	1,285	5,554	2,021	880	9,740
As at 25 September 2005 . . .	2,056	7,603	2,568	316	12,543

The net book value of furniture, fixtures and computer equipment of £2,568,000 (2004: £2,021,000, 2003: £1,582,000) includes an amount of nil (2004: £446,000, 2003: £564,000) in respect of assets held under finance leases.

13 STOCK

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Materials	150	162	215
Finished goods and goods held for resale	439	631	725
	<u>589</u>	<u>793</u>	<u>940</u>

14 DEBTORS

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Debtors			
Trade debtors	145	137	151
Other debtors	93	161	278
Prepayments and accrued income	441	615	969
Debtors falling due within one year	679	913	1,398
Other debtors falling due after more than one year	145	59	—
Total debtors	<u>824</u>	<u>972</u>	<u>1,398</u>

15 CREDITORS

Amounts falling due within one year

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Bank loans	190	—	—
Obligations under finance leases	210	140	—
Trade creditors	998	1,780	2,811
Corporation tax	9	532	411
Tax and social security creditor	515	940	928
Accruals and deferred income	1,500	2,180	3,169
	<u>3,422</u>	<u>5,572</u>	<u>7,319</u>

Amounts falling due after more than one year

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Bank loan	810	—	—
Obligations under finance leases	173	31	—
	<u>983</u>	<u>31</u>	<u>—</u>

The bank loan was secured by a fixed and floating charge over the assets of the Company, and interest was charged at 1.5% over Bank of Scotland's base rate or LIBOR.

Obligations under finance leases were secured on the related assets.

Financial liabilities are due:

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Loans			
—in one year or less	190	—	—
—in more than one year but not more than two years . . .	320	—	—
—in more than two years but not more than five years . . .	490	—	—
	<u>1,000</u>	<u>—</u>	<u>—</u>
Finance leases			
—in one year or less	210	140	—
—in more than one year but not more than five years . . .	173	31	—
	<u>383</u>	<u>171</u>	<u>—</u>

16 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise, for the purpose of FRS13, borrowings, finance leases, cash and various items such as trade debtors and trade creditors that arise directly from its operations. Working capital requirements are met out of cash flows generated from operations and floating rate overdrafts.

It is, and has been throughout the periods under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

Interest rate of borrowings

The interest rate exposure of the Company's borrowings is shown below:

<u>Currency</u>	<u>Total</u>	<u>Floated</u> <u>borrowings</u>	<u>Fixed</u> <u>borrowings</u>
	£000	£000	£000
As at 28 September 2003	<u>1,383</u>	<u>1,000</u>	<u>383</u>
As at 26 September 2004	<u>171</u>	<u>—</u>	<u>171</u>
As at 25 September 2005	<u>—</u>	<u>—</u>	<u>—</u>

The floating rate borrowings comprise bank borrowings bearing interest rates linked to the Bank of England base rate.

Fixed rate borrowings, which related to finance leases, had inherent interest rates of between 10% and 14%. The fair value of these fixed rate borrowings is not available for the period under review.

Interest rate and currency of cash balances

Floating rate financial assets comprise cash deposits on current and deposit accounts. There are no fixed rate financial assets. At the year end, the Company had cash balances of £2,038,000 (2004: £1,340,000; 2003: £1,559,000). There is no material difference between the book value and the fair value of the Company's cash. The Company does not hold any current asset listed investments.

Unutilised borrowing facilities

As at 28 September 2003	<u>750</u>
As at 26 September 2004	<u>1,750</u>
As at 25 September 2005	<u>1,750</u>

Forward contracts

The Company has entered into forward contracts to purchase Euros as follows:

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Total contract value	550	300	375

The contracts will all be exercised within 6 months of the balance sheet date. There is no material difference between the book value and the fair value of these contracts at the year-end date.

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Accelerated capital allowances	558	755	977
Other timing differences	8	(49)	(29)
Unutilised tax losses	(36)	—	—
	<u>530</u>	<u>706</u>	<u>948</u>

Deferred taxation movements are:

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Opening balance	—	530	706
Transfer to profit and loss account	530	176	242
Closing balance	<u>530</u>	<u>706</u>	<u>948</u>

18 SHARE CAPITAL

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Authorised			
6,766,000 "A" ordinary shares of 50p each	3,383	3,383	3,383
6,903,000 "B" ordinary shares of 50p each	3,451	3,451	3,451
716,000 "C" ordinary shares of 50p each	358	358	358
615,000 "D" ordinary shares of 50p each	308	308	308
	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>
Allotted, called up and fully paid			
2,884,000 "A" ordinary shares of 50p each (2004— 2,884,000; 2003—2,884,000)	1,442	1,442	1,442
2,316,000 "B" ordinary shares of 50p each (2004— 1,916,000; 2003—1,916,000)	958	958	1,158
209,520 "C" ordinary shares of 50p each (2004—Nil; 2003—Nil)	—	—	105
53,991 "D" ordinary shares of 50p each (2004—53,991; 2003—Nil)	—	27	27
	<u>2,400</u>	<u>2,427</u>	<u>2,732</u>

Share movements in the period under review comprise:

26 September 2004

An allotment of 53,991 D Ordinary Shares (£26,995.50) to S Kossoff representing the exercise of share options on 1st June 2004.

25 September 2005

399,996 B Ordinary Shares (£199,998) were issued on 10 December 2004 following a trigger of a ratchet mechanism. These shares were financed by a capitalisation of reserves.

41,904 C Ordinary Shares (£20,952) were issued on 11 February 2005 following the exercise of options under the terms of a warrant agreement entered into in September 1999. The exercise price was £1.01.

167,616 C Ordinary Shares (£83,808) were issued on 23 June 2005 following the exercise of options under the terms of a warrant agreement entered into in September 1999. The exercise price was £1.01.

Post 25 September 2005

On 5 December 2005, the A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and D Ordinary Shares were converted to ordinary shares of 5 pence each, resulting in an authorised share capital of the Company of £7,500,000 divided into 150,000,000 ordinary shares of 5 pence each.

Share option scheme

The movement in share options during the three year period under review is as follows:

<u>Date of grant/exercise</u>	<u>Exercisable from</u>	<u>Expiry date</u>	<u>Number of shares</u>	<u>Exercise price</u>
09/02/01	27/07/02	09/02/11	72,000	£1.01
09/02/01	27/09/02	09/02/11	40,000	£1.01
09/02/01	09/02/04	09/02/11	39,000	£1.01
11/10/01	11/10/04	11/10/11	20,000	£1.01
Outstanding: 30/09/02			171,000	
<i>Granted in year</i>				
09/12/02	09/12/05	09/12/12	60,009	£1.60
09/12/02	09/12/02	09/12/12	53,991	£1.60
Outstanding: 28/09/03			285,000	
<i>Granted in year</i>				
28/11/03	28/11/06	28/11/13	76,000	£2.00
19/02/04	19/02/07	19/02/14	69,000	£3.10
<i>Exercised in year</i>				
01/06/04	09/12/02	09/12/12	(53,991)	£1.60
Outstanding: 26/09/04			376,009	
<i>Granted in year</i>				
04/10/04	04/10/07	04/10/14	5,000	£4.00
21/01/05	21/01/08	21/01/15	29,500	£4.00
22/07/05	22/07/08	22/07/15	30,500	£6.50
<i>Forfeited in year</i>				
	09/12/05	09/12/12	(3,000)	£1.60
	28/11/06	28/11/13	(4,000)	£2.00
	19/02/07	19/02/14	(8,000)	£3.10
Outstanding: 25/09/05			426,009	

19 RESERVES

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At 30 September 2002	1,578	(195)	1,383
Profit for the year	—	1,074	1,074
As at 28 September 2003	1,578	879	2457
Premium on exercise of share options	59	—	59
Profit for the year	—	1,615	1,615
As at 26 September 2004	1,637	2,494	4,131
Profit for the year	—	1,906	1,906
Premium on exercise of warrants	107	—	107
Capitalisation of ratchet shares issued	(200)	—	(200)
As at 25 September 2005	1,544	4,400	5,944

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
At the beginning of the period	3,783	4,857	6,558
Net proceeds of share issues	—	86	212
Profit for the year	1,074	1,615	1,906
At the end of the period	4,857	6,558	8,676

21 PENSIONS

The Company makes contributions to personal pension plans of directors. The total amount paid during the period is £44,000 (2004: £19,000; 2003: £18,000).

The Company operates a stakeholder pension scheme for its employees. The scheme is not contributed to by the Company.

The Company does not operate a defined benefit scheme.

22 CAPITAL COMMITMENTS

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Capital commitments contracted for but not provided for in the financial information	741	906	1,038

23 COMMITMENTS UNDER OPERATING LEASES

The following are the annual commitments under non-cancellable operating leases:

Land and buildings

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Operating leases which expire:			
Within one year	—	24	12
In two to five years	170	120	103
Over five years	1,627	2,453	3,208
	<u>1,797</u>	<u>2,597</u>	<u>3,323</u>

24 OTHER FINANCIAL COMMITMENTS

The Company has entered into forward contracts to purchase Euros as follows:

	As at 28 September 2003	As at 26 September 2004	As at 25 September 2005
	£000	£000	£000
Total contract value	<u>550</u>	<u>300</u>	<u>375</u>

The contracts will all be exercised within six months of the balance sheet date. There is no material difference between the book value and the fair value of these contracts at the year-end date.

25 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Operating profit	1,722	2,387	3,264
Depreciation	528	750	973
Amortisation of trademarks	1	2	3
Increase in stock	(208)	(204)	(147)
Increase in debtors	(178)	(148)	(426)
Increase in creditors	227	1,887	2,005
Reclassification of smallwares	70	—	—
Elimination of profit on disposal	(13)	—	(9)
Net cash flow from operating activities	<u>2,149</u>	<u>4,674</u>	<u>5,663</u>

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	Period ended 28 September 2003	Period ended 26 September 2004	Period ended 25 September 2005
	£000	£000	£000
Increase/(decrease) in cash in the year	65	(219)	698
Cash outflow from movement in net debt	210	1,212	171
Movement in net funds/(debt) in the year	275	993	869
Net funds/(debt) at the beginning of the period	(99)	176	1,169
Net funds at the end of the period (note 27)	<u>176</u>	<u>1,169</u>	<u>2,038</u>

27 ANALYSIS OF NET FUNDS/(DEBT)

	At start of the period	Cash flow	Non-cash changes	At the end of the period
	£000	£000	£000	£000
Period ended 28 September 2003				
Cash	1,494	65	—	1,559
Finance leases	(593)	210	—	(383)
Debt due after one year	(850)	—	40	(810)
Debt due within one year	(150)	—	(40)	(190)
Net (debt)/funds	<u>(99)</u>	<u>275</u>	<u>—</u>	<u>176</u>
Period ended 26 September 2004				
Cash	1,559	(219)	—	1,340
Finance leases	(383)	212	—	(171)
Debt due after one year	(810)	810	—	—
Debt due within one year	(190)	190	—	—
Net funds	<u>176</u>	<u>993</u>	<u>—</u>	<u>1,169</u>
Period ended 25 September 2005				
Cash	1,340	698	—	2,038
Finance leases	(171)	171	—	—
Net funds	<u>1,169</u>	<u>869</u>	<u>—</u>	<u>2,038</u>

PART IV
ADDITIONAL INFORMATION

1. RESPONSIBILITY

- (a) The Directors, whose names and functions are set out on page 3 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The business address of each of the Directors is 12 Great Portland Street, London W1W 8QN.

2. THE COMPANY

- (a) The Company was incorporated under the Act on 19 March 1986 as a private company limited by shares with the name of Carluccio Enterprises Limited and registered in England and Wales with number 2001576. On 11 January 1990 the Company's name was changed to Carluccio's Limited.

On 5 December 2005 the Company was re-registered as a public limited company under the Act and its name was changed to Carluccio's plc.

- (b) The Company's registered office, which is also its head office, is at 12 Great Portland Street, London W1W 8QN. The Company's telephone number is +44 (0)20 7580 3050.

3. SUBSIDIARIES

The Company has no subsidiaries.

4. SHARE CAPITAL

- (a) The Company was incorporated on 19 March 1986 with share capital of £100 divided into 100 ordinary shares of £1 each. On incorporation, the issued share capital of the Company consisted of 2 ordinary shares of £1 each. Since its incorporation, there have been the following changes in the authorised and issued share capital of the Company:
 - (i) On 13 May 1999, the authorised share capital of the Company was increased to £45,000 divided into 45,000 ordinary shares of £1 each. 44,998 ordinary shares of £1 were allotted fully paid resulting in issued share capital of £45,000 divided into 45,000 ordinary shares of £1 each;
 - (ii) On 23 July 1999, the existing ordinary shares of £1 each in the capital of the Company were re-designated as B ordinary shares of £1 each, and the authorised share capital of the Company was increased to £121,931 divided into 55,000 A ordinary shares of £1 each, 56,111 B ordinary shares of £1 each, 5,820 C ordinary shares of £1 each and 5,000 D ordinary shares of £1 each. 55,000 A ordinary shares of £1 were allotted fully paid resulting in issued share capital of £100,000 divided into 55,000 A ordinary shares of £1 each and 45,000 B ordinary shares of £1 each;
 - (iii) On 5 January 2001, the 55,000 A ordinary shares of £1 each were sub-divided into 110,000 A ordinary shares of 50p each ("A Ordinary Shares"), the 56,111 B ordinary shares of £1 each were subdivided into 112,222 B ordinary shares of 50p each ("B Ordinary Shares"), the 5,820 C ordinary shares of £1 each were subdivided into 11,640 C ordinary shares of 50p each ("C Ordinary Shares") and the 5,000 D ordinary shares of £1 each were subdivided into 10,000 D ordinary shares of 50p each ("D Ordinary Shares");
 - (iv) On 5 January 2001, the authorised share capital of the Company was increased to £7,500,000 divided into 6,766,122 A Ordinary Shares, 6,902,797 B Ordinary Shares, 715,979 C Ordinary Shares and 615,102 D Ordinary Shares;
 - (v) Between 5 February 2001 and 7 February 2001, 1,870,000 A Ordinary Shares and 1,530,000 B Ordinary Shares were allotted fully paid resulting in issued share capital of £1,800,000 divided into 1,980,000 A Ordinary Shares and 1,620,000 B Ordinary Shares;

- (vi) On 29 November 2001, 903,125 A Ordinary Shares and 296,875 B Ordinary Shares were allotted fully paid resulting in issued share capital of £2,400,000 divided into 2,883,125 A Ordinary Shares and 1,916,875 B Ordinary Shares;
- (vii) On 1 September 2004, 53,991 D Ordinary Shares were allotted fully paid resulting in issued share capital of £2,426,995.50 divided into 2,883,125 A Ordinary Shares, 1,916,875 B Ordinary Shares and 53,991 D Ordinary Shares;
- (viii) On 10 December 2004, 399,996 B Ordinary Shares were allotted fully paid resulting in issued share capital of £2,626,993.50 divided into 2,883,125 A Ordinary Shares, 2,316,871 B Ordinary Shares and 53,991 D Ordinary Shares;
- (ix) Between 11 February 2005 and 23 June 2005, 209,520 C Ordinary Shares were allotted fully paid resulting in issued share capital of £2,731,753.50 divided into 2,883,125 A Ordinary Shares, 2,316,871 B Ordinary Shares, 209,520 C Ordinary Shares and 53,991 D Ordinary Shares;
- (x) On 5 December 2005, the A Ordinary Shares, the B Ordinary Shares, the C Ordinary Shares and the D Ordinary Shares were converted to ordinary shares of 5p each resulting in the authorised share capital of the Company of £7,500,000 being divided into 150,000,000 ordinary shares of 5p each;
- (xi) Conditional upon Admission, 2,103,215 Ordinary Shares will be allotted fully paid as a result of the exercise of options, resulting in issued share capital of £2,836,914.25 divided into 56,738,285 Ordinary Shares on Admission.
- (b) As at the date of the most recent balance sheet of the Company, being 25 September 2005, the authorised share capital of the Company was £7,500,000 divided into 6,766,122 A ordinary shares of 50p each (“A Ordinary Shares”), 6,902,797 B ordinary shares of 50p each (“B Ordinary Shares”), 715,979 C ordinary shares of 50p each (“C Ordinary Shares”) and 615,102 D ordinary shares of 50p each (“D Ordinary Shares”) of which 2,883,125 A Ordinary Shares, 2,316,871 B Ordinary Shares 209,520 C Ordinary Shares and 53,991 D Ordinary Shares were issued, credited as fully paid. During the period of 12 months until the most recent balance sheet date, the following allotments were made: (i) on 10 December 2004, 399,996 B Ordinary Shares were allotted fully paid; and (ii) between 11 February 2005 and 23 June 2005, 209,520 C Ordinary Shares were allotted fully paid. On 5 December 2005 each of the A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and D Ordinary Shares was converted to an ordinary share of 5p each resulting in the authorised capital of £7,500,000 being divided into 150,000,000 ordinary shares of 5p each and the issued share capital of £2,731,753.50 being divided into 54,635,070 ordinary shares of 5p each. Conditional upon Admission, 2,103,215 Ordinary Shares will be allotted fully paid as a result of the exercise of options resulting in an issued share capital of £2,836,914.25 divided into 56,738,285 Ordinary Shares on Admission.
- (c) As at date of this document, the following options to subscribe for Ordinary Shares were held by employees including certain Executive Directors (details of these Directors’ options are set out in paragraph 7 of this Part IV).

<u>Date of grant</u>	<u>Exercise price per share</u>	<u>Ordinary Shares subject to EMI Options</u>	<u>Ordinary Shares subject to Unapproved Options</u>
9 February 2001	10.1p	1,480,000	—
11 October 2001	10.1p	200,000	—
9 December 2002	16p	560,090	—
28 November 2003	20p	510,000	200,000
19 February 2004	31p	400,000	200,000
4 October 2004	40p	50,000	—
21 January 2005	40p	290,000	—
22 July 2005	65p	282,250	22,750
Totals of Ordinary Shares under option		<u>3,772,340</u>	<u>422,750</u>

Following the exercise of certain options conditional upon Admission taking place, immediately following Admission the options to subscribe for Ordinary Shares held by employees including certain Executive Directors are expected to be as summarised below.

<u>Date of grant</u>	<u>Exercise price per share</u>	<u>Ordinary Shares subject to EMI Options</u>	<u>Ordinary Shares subject to Unapproved Options</u>
9 February 2001	10.1p	60,000	—
11 October 2001	10.1p	14,375	—
9 December 2002	16p	62,500	—
28 November 2003	20p	510,000	200,000
19 February 2004	31p	400,000	200,000
4 October 2004	40p	50,000	—
21 January 2005	40p	290,000	—
22 July 2005	65p	282,250	22,750
Totals of Ordinary Shares under option		1,669,125	422,750

In addition, 3,000,000 Ordinary Shares will be put under option to certain employees including the Executive Directors on Admission, under proposed awards under the 2005 Equity Incentive Plan, as described in paragraph 9 of this Part IV.

- (d) The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company, except to the extent disapplied by the resolution referred to in paragraph 4(h) below.
- (e) At the date of this document and immediately following Admission, other than the persons listed below and the holdings of certain of the Directors, details of which are set out in paragraph 7 of this Part IV, the Directors are not aware of any person who (directly or indirectly) has a notifiable interest in the issued ordinary share capital of the Company, however following Admission it is anticipated that certain of the places will have notifiable interests under the Act:

<u>Shareholder</u>	<u>As at the date of this document</u>		<u>Immediately following Admission</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of issued capital</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued capital</u>
Priscilla Carluccio	11,844,980	21.7	1,694,380 ⁽²⁾	3.0
The Sienna Group LLC ⁽¹⁾	6,566,710	12.0	5,200,000	9.2
J Leon & Co Limited	3,600,410	6.6	1,200,017 ⁽²⁾	2.1
Farley Bolwell	3,536,830	6.5	3,000,000	5.3
Andrew Chisholm	2,106,620	3.9	2,106,620	3.7
Altium	1,676,160	3.1	1,676,160 ⁽²⁾	3.0

(1) The Ordinary Shares held by The Sienna Group LLC are the same shares in which Scott Svenson is stated to have an interest in paragraph 7(a)(i) below

(2) Following Admission, these interests will no longer be notifiable interests under the Act

The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- (f) The Company's share capital consists of one class of ordinary shares, with equal voting rights (subject to the Articles of Association of the Company). No major shareholder of the Company has different voting rights.
- (g) Pursuant to the Sale Agreements and the Placing Agreement, Altium as agent for existing shareholders is offering to sell in the Placing 28,087,751 Ordinary Shares. Each of the Selling Shareholders has been a shareholder in the Company since 1999 or has become a shareholder by reason of being an employee or Director or through a rights issue in November 2001.

- (h) By a special resolution passed on 5 December 2005, conditionally upon re-registration of the Company as a public company and with effect from such re-registration:
 - (i) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £1,200,000, such authority to expire on the earlier of 15 months from the date of re-registration of the Company as a public company and the conclusion of the annual general meeting to be held in 2006; and
 - (ii) the Directors were empowered to allot equity securities (as defined in section 94(2) of the Act) in respect of rights issues and otherwise up to an aggregate nominal amount of £142,000, as if section 89(1) of the Act did not apply to such allotment, in the period ending on the date falling 15 months after the date of re-registration of the Company as a public company or, if earlier, the conclusion of the annual general meeting of the Company to be held in 2006.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of the Company provides that the Company's objects include the carrying on of business as a general commercial company. The objects of the Company are set out fully in Clause 3 of the Memorandum of Association.

The Articles contain provisions, *inter alia*, to the following effect:

(a) Voting

Subject to any rights or restrictions as to voting attached to any class of shares at any general meeting:

- (i) on a show of hands every member who is present in person shall have one vote; and
- (ii) on a poll every member who is present in person or by proxy has one vote for every share of which he is the holder. A member is not entitled to vote if any calls or other monies due in respect of his shares remain unpaid and a shareholder may be disenfranchised where he, or a person appearing to be interested in shares fails to comply with a notice from the Company requiring him to indicate the capacity in which he holds such shares or any interest in them.

(b) Dividends, distributions and return of capital

Dividends may be declared by ordinary resolution but shall in no event exceed the amount recommended by the directors.

Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance) on the shares in respect of which the dividend is paid.

If any member or any other person appearing to be interested in shares held by that member representing 0.25 per cent. or more of the class of shares concerned shall be in default in supplying to the Company any information required by any notice given pursuant to section 212 of the Act, the directors may by notice to such member direct that any dividend (or any part thereof) or other monies payable on such shares shall be retained by the Company and that any right to receive any additional shares in the Company in lieu of any dividends in accordance with the Articles shall be of no effect.

For so long as the Company has only one class of shares, on a liquidation of the Company the holders of shares are entitled *pari passu* amongst themselves in proportion to their shareholdings and to the amounts paid up or credited as paid up on their shares to share in any surplus assets of the Company.

(c) Unclaimed dividends

Any dividends unclaimed may be used for the benefit of the Company until claimed. Any dividend which is still unclaimed twelve years after having become due for payment shall be forfeited and shall revert to the Company.

(d) Untraced shareholders

The Company may sell any shares in the Company of a member who is untraceable if, during a period of twelve years:

- (i) no cheque order or warrant addressed to the member or the person entitled to such shares by transmission has been cashed;

- (ii) no communication has been received from such member or any person entitled to the shares by transmission;
- (iii) the Company has paid at least three cash dividends (whether interim or final) and no such dividend has been claimed; and
- (iv) the Company gives notice to the London Stock Exchange and in both a national newspaper and a newspaper circulating in the area where the member's last known address is located of its intention to sell.

(e) Variation of rights

If at any time the capital of the Company is divided into different classes of shares, all or any of the rights or privileges attached to any class of share may be varied or abrogated either with the consent in writing of the holders of at least three-quarters of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

(f) Alteration of capital

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate all or any of its share capital;
- (iii) cancel any shares where at the date of passing of the resolution no person has taken, or agreed to take, such shares and diminish the amount of its capital by the amount of shares so cancelled; and/or
- (iv) sub-divide its shares or any of them into shares of smaller amounts.

The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

(g) Transfer of shares

All transfers of shares shall be effected by instrument in writing, in any usual or common form or in any other form acceptable to the Directors and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferee. The Directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of a share which is not fully paid. The Articles contain no restrictions on the free transferability of fully paid shares (unless to an infant or a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or a person who is a patient within Part VII of the Mental Health Act 1983) provided that the instrument of transfer is in favour of not more than four transferees, is duly stamped (if so required), the provisions in the Articles relating to the deposit of instruments of transfer have been complied with and the member is not in default of any notice duly served under section 212 of the Act in circumstances described in the Articles.

(h) Meetings of shareholders

An annual general meeting, and an extraordinary general meeting convened for the passing of a special resolution, shall be convened by not less than twenty-one clear days' notice. All other extraordinary general meetings shall be convened by not less than fourteen clear days' notice. The Board may convene an extraordinary general meeting whenever it thinks fit.

The notice of meeting shall specify:

- (i) whether the meeting is an annual general meeting or an extraordinary general meeting;
- (ii) the place, the day and the time of the meeting;
- (iii) subject to the requirements of (to the extent applicable) the rules of any investment exchange to which the shares are admitted to trading and/or the London Stock Exchange, the general nature of the business to be transacted;
- (iv) if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution as such; and

- (v) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not also be a member.

The notice of meeting shall be given to the members (other than a member who, under the Articles or any restrictions imposed on any shares, is not entitled to receive notice from the Company) and to the Directors and may specify a time by which a person must be entered on the Register of Members in order for such person to have the right to attend or vote at the meeting.

The quorum for a general meeting is two persons present in person or by proxy.

A Director (and any other person invited by the chairman of the meeting to do so) shall be entitled to attend and speak at a general meeting and at a separate meeting of the holders of any class of shares, whether or not he is a member.

(i) Directors

- (i) Each of the Directors is entitled to receive by way of ordinary remuneration for his services in each year such sum as the Board may determine provided that such fees shall not exceed in aggregate £250,000 per annum or such other figure as the Company may in general meeting from time to time agree (this limit refers to directors' fees and is exclusive of amounts paid to directors in an executive capacity under a service agreement). The Directors are also entitled to be repaid all travelling and hotel expenses incurred by them in or about the performance of their duties as directors. The Board may also grant special remuneration to any director who, being called upon, performs any special duties outside his ordinary duties as a director.
- (ii) A Director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any Director is in any way interested liable to be avoided, nor is any Director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the Board.
- (iii) Save as provided below, a Director may not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.
- (iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:
 - (aa) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (cc) any proposal concerning an offer of shares or debentures or other securities in or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (dd) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of a beneficial interest in 1 per cent. or more of any class of share capital of such company or of the voting rights available to the members of the relevant company;
 - (ee) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefit scheme which is approved by or subject to the approval of the Inland Revenue or relating to any arrangement for the benefit of employees generally which does not accord to him as a director any privilege or advantage not generally accorded; or
 - (ff) any proposal concerning the purchase and/or maintenance of an insurance policy under which a director may benefit.

- (c) There is no requirement for Directors to hold qualification shares.
- (d) The Articles do not specify any age limit for Directors, who may remain in office when they are over 70.

(j) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and to issue debentures and other securities. The Directors must ensure that the aggregate amount for the time being of all borrowings of the Company and its subsidiaries (other than owing by the Company and any of its subsidiary undertakings in respect of intra group borrowings) shall not at the date of any such borrowings, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £30 million and an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles).

6. PREMISES AND ENVIRONMENTAL MATTERS

The following premises are the principal premises leased by the Company:

<u>Location</u>	<u>Lease start date</u>	<u>Lease end date</u>	<u>Rent per annum</u>
Great Portland Street, London W1	3 rd floor: 7 November 1999 5 th floor: 25 April 2005	3 rd floor: 6 November 2011 5 th floor: 31 January 2006	3 rd floor: £48,000 5 th floor: £36,000
Neal Street, London WC2	12 July 1991	25 December 2006	£103,000
Market Place, London W1	24 July 1999	23 July 2024	£136,000
Bond Street, London W1	2 November 2000	2 November 2005 <i>Note: extension to term is currently being negotiated</i>	12% of turnover for rent/rates/utilities
St. Christopher's Place, London W1	24 June 2000	23 June 2025	10% of turnover with a base of £150,000
Kingston upon Thames, Surrey	24 June 2001	23 June 2026	£75,000
Canary Wharf, London E14	1 July 2001	30 June 2021	10% of turnover up to £1,250,000 11% £1,250,000– £1,500,000 12% over £1,500,000 with a base of £110,000
Smithfield, London EC1	29 September 2001	28 September 2026	£120,000
Ealing, London W5	1 March 2000	28 February 2025	£75,000
Bluewater, Kent	24 April 2002	28 September 2014	Turnover rent per qtr: 10% up to £312,500 8% £312,500– £375,000 6% £375,000– £437,500 5% over £437,500 with an annual base of £100,000
St. Albans, Hertfordshire	29 May 2002	28 May 2027	£73,000
Brent Cross, London NW4	1 February 2003	31 January 2008	12% of turnover for rent, rates and utilities
Islington, London N1	24 June 1996	23 June 2021	£90,000

NB: Office space above the Islington store is sub-let at a rent of £30,000 per annum.

<u>Location</u>	<u>Lease start date</u>	<u>Lease end date</u>	<u>Rent per annum</u>
Tunbridge Wells, Kent	29 May 2003	28 May 2028	£100,000
Bicester Village, Oxon	20 November 2003	19 November 2013	9% of turnover, with a base of: Years 1+2: £90,000 Years 3+4: £99,000 Thereafter: £108,000
Fulham Road, London SW10	2 February 2004	1 February 2029	£165,000
Putney, London SW15	10 March 2004	9 March 2029	£83,000
Windsor, Berkshire	Unit 5: 25 March 1999 Unit 6: 25 March 1999 Outside seating: 25 March 2005	Unit 5: 24 March 2024 Unit 6: 24 March 2024 Outside seating: 24 March 2007	Unit 5: £45,000 Unit 6: £71,000 Outside seating: £11,000
Hampstead, London NW3	No. 32: 1 February 2001 No. 34: 6 June 2001	No. 32: 31 January 2016 No. 34: 23 December 2017	No. 32: £40,000 No. 34: £85,000
South Kensington, London SW7	No 5: 10 September 2004 No 7: 10 September 2004	No. 5: 9 September 2029 No. 7: 9 September 2029	No. 5: £138,000 No. 7: £42,000
St. John's Wood, London NW8	27 September 2004	26 September 2029	Years 1+2: £130,000 Year 3: £135,000 Year 4: £150,000 Year 5: £152,000
Esher, Surrey	20 May 2005	19 May 2030	£112,500 rising 2.75% p.a.
Reading, Berkshire	29 June 2005	28 June 2030	7.5% of net turnover subject to base of £58,000
Westbourne Corner, London W2	5 August 2005	4 August 2030	Years 1-3: £140,000 Year 4: £145,000 Year 5: £155,000
Oxford, Oxon	29 September 2005	28 September 2040	£95,000

The Directors are not aware of any material issues which may affect the utilisation of the properties save that the Company in operating its business is required to comply with environmental laws relating to waste disposal.

7. DIRECTORS' AND OTHER INTERESTS

- (a) As at the date of this document and immediately following Admission, the interests of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) persons connected with the Directors within the meaning of section 346 of the Act in the share capital of the Company, as required to be notified to the Company pursuant to sections 324 and 328 of the Act or as required to be shown in the register maintained under section 325 of the Act, all of which will be beneficial, is as follows:

(i) Ordinary Shares

Director	As at the date of this document		Immediately following Admission	
	Number of Ordinary Shares	Percentage of issued capital	Number of Ordinary Shares	Percentage of issued capital
Stephen Gee	3,627,800	6.6	2,500,000	4.4
Simon Kossoff	4,569,890	8.4	2,579,990	4.6
Frank Bandura	125,000	0.2	130,600	0.2
Peter Webber	3,315,300	6.1	1,852,800	3.3
Scott Svenson ⁽¹⁾	6,566,710	12.0	5,200,000	9.2
David Bernstein	—	—	50,000	0.1

(1) This figure is the number of Ordinary Shares held by The Sienna Group LLC (“Sienna”) in which Mr Svenson is deemed to be interested by virtue of holding a 48.5 per cent. interest in Sienna

(ii) Options

Director	Exercise price	Number of Ordinary Shares under option	
		As at the date of this document	Immediately following Admission
Stephen Gee	Placing Price	—	800,000
Simon Kossoff	10.1p	720,000	—
	16p	270,090	—
	20p	200,000	200,000
	31p	200,000	200,000
	Placing Price	—	800,000
Frank Bandura	10.1p	400,000	—
	16p	100,000	17,500
	20p	100,000	100,000
	31p	100,000	100,000
	40p	100,000	100,000
	65p	40,000	40,000
	Placing Price	—	800,000
Peter Webber	—	—	—
Scott Svenson	—	—	—
David Bernstein	—	—	—

- (b) For each of the current Directors their length of service to date in their office is specified:

Name	Age	Length of service
Stephen Gee	61	Since July 1999
Simon Kossoff	45	Since July 1999
Frank Bandura	39	Since September 2000
Peter Webber	66	Since July 1999
Scott Svenson	39	Since September 2001
David Bernstein	62	Since November 2005

- (c) Save as set out below, or as disclosed elsewhere in this document, no directorships of any company, other than the Company, have been held or occupied over the previous five years by any of the Directors, nor over that period has any of the Directors been a partner in a partnership:

<u>Director</u>	<u>Current directorships</u>	<u>Former directorships</u>
Stephen Gee	Wallace Clifton Limited 4B Finance Limited Termcontrol Property Management Limited Hansteen Holdings PLC	Sytner Group plc Ashtenne Holdings plc English Country Inns Plc Henry J. Bean's Group Limited Audiovisual Creations Limited Webnet Media Limited
Simon Kossoff	Wildfire Restaurants Ltd Reflex Administration Limited 63/65 Warwick Road Management Limited	Chainpoint Limited
Frank Bandura	None	None
Peter Webber	Peter Webber Associates Limited Tricon Group Limited	Bakers Dozen Limited Henry J. Bean's Group Limited
Scott Svenson	Grosvenor House Group Plc The Sienna Group LLC Ivey Imaging LLC Banner Retail Marketing LLC Pyramid Breweries Inc.	Santa Fe Group Limited Buerk Craig Victor LLC Swiss Water Decaffeinated Coffee Company eos Internet Ventures BV Validity Systems Inc.
David Bernstein	Blacks Leisure Group Plc Pantheon Leisure Plc Frank Thomas (Group) Limited Ted Baker Plc Noble House Leisure Limited Wembley National Stadium Limited The Chandos Lawn Tennis Club Limited Burrline Limited Jewish Association for Business Ethics (Limited by Guarantee)	Manchester City Plc Adams Childrenswear Group Limited Adams Childrenswear Holdings Limited French Connection Group Plc Cellar 5 Group Limited De Facto 936 Limited Manchester City Investments Limited Manchester City Football Club Plc Global Refund Holdings NV.

- (d) None of the Directors has any unspent convictions nor, save as disclosed in this paragraph 7, has any been a director of a company (wherever incorporated) or a partner in a partnership at any time which has gone into administration, company or partnership voluntary arrangements, or any composition or arrangement with creditors generally or any class of creditors, receiverships, compulsory liquidations or creditors' voluntary liquidations, where he was a partner or director at the time or in the preceding 12 months, nor has any of them ever been personally bankrupt, in an individual voluntary arrangement with creditors or been publicly criticised by any statutory or regulatory authority or professional body.
- (e) Scott Svenson was a director of Onecast Media Inc, a Seattle-based internet start-up company which focused on providing customized sports and news highlights via broadband internet connections. Following the decline in the market for technology companies in 2000, Onecast Media Inc found it difficult to raise additional financing and therefore resorted to bankruptcy protection and ultimate liquidation under Chapter 7 of the United States Bankruptcy Code. At the time of bankruptcy, Onecast Media Inc had approximately \$900,000 of secured creditors and in excess of \$1.0m of unsecured creditors.
- (f) Scott Svenson was a director of Eos Internet Ventures BV, a London-based internet incubator. Following the decline in the market for technology companies in 2000, Eos Internet Ventures BV found it difficult to raise additional funding and decided to pursue a voluntary liquidation, which allowed for a partial return of capital to shareholders. All creditors of Eos Internet Ventures BV were paid in full.

- (g) Scott Svenson was a director of Validity Systems Inc. a provider of secure web solutions to collect and keep information private and secure. Following the decline in the market for technology companies in 2000, Validity Systems Inc found it difficult to raise additional funding and therefore decided to pursue a voluntary liquidation. All creditors of Validity Systems Inc were paid in full.
- (h) David Bernstein was a director of De Facto 936 Limited from 20 November 2001 until 31 January 2002. De Facto 936 Limited went into creditors' voluntary liquidation on 27 January 2003. Mr Bernstein was not a director of De Facto 936 Limited at the time of the liquidation and has no information regarding the circumstances surrounding the liquidation.
- (i) None of the Directors has been subject to any public criticism by statutory or regulatory authorities nor been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8. SERVICE AND EMPLOYMENT CONTRACTS AND EMOLUMENTS

(a) Executive Directors

Each executive Director has entered into a new service agreement with the Company, effective from Admission.

Stephen Gee

Stephen Gee is employed by the Company as its part-time executive chairman under a service agreement dated 5 December 2005. Mr Gee is to work two days per week or such longer period as may reasonably be required to perform his duties and is entitled to a salary of £50,000 per annum. Half of this amount will be withheld and only released if the Company opens five or more new stores during any accounting period. Mr Gee's service agreement may be terminated by either party by giving not less than six months' written notice. The Company may at its discretion make a payment in lieu of notice equal to the basic salary only for the relevant notice period.

Mr Gee is entitled from time to time to participate in any share scheme at the discretion of the Board.

Mr Gee will also receive a fee of £25,000 (payable to Wallace Clifton Limited) in respect of the additional work he has performed in connection with the flotation process.

Simon Kossoff and Frank Bandura

The terms and conditions of the service agreements of Simon Kossoff and Frank Bandura are largely identical and a summary of the main terms and conditions is set out below.

The service agreements of Simon Kossoff and Frank Bandura may be terminated by either party by giving not less than 12 months' written notice. The Company may at its discretion make a payment in lieu of notice equal to the basic salary and cost of other benefits (excluding bonus) only for the relevant notice period.

The initial salaries of the executive Directors are set out below. These are subject to an annual salary review.

Mr Kossoff and Mr Bandura are entitled from time to time to participate in any share scheme at the discretion of the Company, and to participate in a bonus scheme on the following basis:

Simon Kossoff

Mr Kossoff will be entitled to a bonus of up to 70 per cent. of his annual salary upon the achievement by the Company of certain profit and store opening targets, which targets may be reviewed by the Remuneration Committee on an annual basis.

Frank Bandura

Mr Bandura will be entitled to a bonus of up to 60 per cent. of his annual salary upon the achievement by the Company of certain profit targets, which targets may be reviewed by the Remuneration Committee on an annual basis.

Mr Kossoff and Mr Bandura are also entitled to participate in any permanent health insurance scheme, private medical insurance and life assurance. The Company are also to pay an annual rate of 10 per cent. of Mr Kossoff's and Mr Bandura's respective salaries into such pension plan as they shall respectively direct.

Mr Kossoff is entitled to a company car and the Company bears the cost of insuring, testing, taxing, repairing and maintaining together with the cost of any fuel.

Mr Kossoff and Mr Bandura are subject to non-competition and non-solicitation covenants for a period of 12 months after termination of employment.

<u>Executive Director</u>	<u>Title</u>	<u>Initial basic annual salary</u>
Stephen Gee	Executive Chairman	£50,000
Simon Kossoff	Managing Director	£145,000
Frank Bandura	Finance Director	£92,000

(b) Non-Executive Directors

Peter Webber Associates Limited entered into an agreement with the Company on 5 December 2005 under which Peter Webber will serve as a non-executive director of the Company for a fee of £30,000 per annum (plus expenses) payable in quarterly instalments in arrears. This agreement is terminable at any time by either party by at least 6 months' written notice.

The Sienna Group LLC entered into an agreement with the Company on 5 December 2005 under which Scott Svenson will serve as a non-executive director of the Company for a fee of £18,000 per annum and an additional £1,500 (plus expenses) for each month he attends a board meeting in the United Kingdom (up to a maximum total fee of £30,000 per annum) payable in quarterly instalments in arrears. This agreement is terminable at any time by either party by at least 6 months' written notice.

Burrlin Limited entered into an agreement with the Company on 5 December 2005 under which David Bernstein will serve as a non-executive director of the Company for a fee of £30,000 per annum (plus expenses) payable in quarterly instalments in arrears. This agreement will continue until the annual general meeting of the Company and is terminable at any time by either party by at least 6 months' written notice.

<u>Non-Executive Director</u>	<u>Title</u>	<u>Initial annual fee</u>
Peter Webber	Non-Executive Director	£30,000
Scott Svenson	Non-Executive Director	£18,000 (but see above)
David Bernstein	Non-Executive Director	£30,000

- (c) The Company had an average of 453 employees for the financial year to 28 September 2003; 652 for the financial year to 26 September 2004; and 831 for the financial year to 25 September 2005. During the financial year to 25 September 2005, 96.5 per cent. of the Company's employees were caffè and food shop staff and 3.5 per cent. were administrative staff.

9. EQUITY INCENTIVE SCHEMES FOR EMPLOYEES

(a) Subsisting options

The Company has granted tax-favoured enterprise management incentive share options (the "EMI Options") to various employees including executive directors on several dates between February 2001 and July 2005. In addition, unapproved options with similar terms to the EMI options (the "Unapproved Options" and, together with the EMI Options, the "Options") were granted to two executive directors between November 2003 and July 2005. The Options were granted by way of separate agreements, together constituting an employees' share scheme.

Taking into account the exercise of certain options conditional upon Admission, after Admission there are expected to be existing Options subsisting over in total 2,091,875 Ordinary Shares, as described in paragraph 4(c) of this Part IV.

Conditions of exercise

Options may not be exercised earlier than the third anniversary of the relevant date of grant. In addition, many Options granted on or before 19 February 2004 are subject to lock-in agreements entered into in connection with Admission, such that Ordinary Shares acquired on exercise of such Options may not be sold (save in certain exceptional circumstances) earlier than the date falling twelve months after Admission, and may only be sold through the Company's brokers for the twelve months after that period.

Cessation of employment

If an optionholder ceases to be employed by the Company due to injury, ill health, disability, redundancy, retirement on reaching retirement age or the transfer of his employing company or business out of the Company's group of companies, an Option may be exercised in the 40 days following such cessation, provided that more than three years have passed since the date of grant. On cessation of employment for any other reason taking place more than three years after the date of grant, the Directors have the discretion to permit exercise of an Option in whole or in part. If an optionholder dies, an Option may be exercised in the year following death, provided that it is not so exercised earlier than the third anniversary of the date of grant.

Taxation

If any PAYE income tax or employee's national insurance contributions liabilities arise on the exercise of an Option, the relevant optionholder must enter into arrangements satisfactory to the Directors to reimburse the Company or any subsidiary for amounts accounted for in respect of such liabilities.

Takeovers, reconstructions etc.

Provided more than three years have passed since the date of grant, Options may be exercised during a specified period after notice of any of the following events: a demerger of the Company, a change of control of the Company, the sanction by the Court of a Companies Act section 425 scheme of arrangement affecting the Company, or the proposal of a resolution for the voluntary winding up of the Company.

In addition, if the Company is acquired by another company which is able to qualify to grant EMI options, EMI Options may be replaced with options over the acquiring company's shares, in accordance with statutory provisions relating to EMI options. Similar provisions for replacement apply to Unapproved Options, without the requirement that the acquiring company must be able to grant EMI options.

Variation of capital

Options will be adjusted to take account of certain alterations of the share capital of the Company.

(b) 2005 Equity Incentive Plan

Following Admission, employees will be eligible to participate in the 2005 Equity Incentive Plan (the "Plan"). The Plan will be administered and operated by the Remuneration Committee.

The Plan was adopted by the Company on 5 December 2005. The Plan will provide a framework for the grant of equity incentives to employees. Awards may take the form of share options, restricted shares, deferred shares or other awards deliverable in shares in the Company. Benefits under the Plan will not be pensionable.

The aim of the Remuneration Committee is to make appropriate incentive awards, within the framework of the Plan.

(i) *Eligibility*

Awards may be made to employees of the Company or any subsidiary of the Company at the discretion of the Remuneration Committee.

(ii) *Awards*

Awards under the Plan may be made within 42 days after the announcement by the Company of its annual or interim results or the date on which a prospectus, AIM admission document or a document containing equivalent information in relation to shares in the Company is published. Awards may also be made at any other time when the circumstances are considered by the Remuneration Committee to be exceptional. No awards may be made later than ten years after the date of adoption of the Plan by the Company.

(iii) *Plan limits*

The total number of shares issued and issuable under awards granted under the Plan over any ten year period, when aggregated with shares issued and issuable under any other employees' share

schemes of the Company, may not exceed ten per cent. of the issued ordinary share capital of the Company. Options granted before Admission will not count towards this limit.

(iv) *Exercise price/value of award*

Where share options are awarded, the price per share payable on exercise must not be less than the market value per share at the time of grant. Restricted or deferred shares may be awarded or sold to participants for less than the market value of the shares at the time of grant.

(v) *Exercise and lapse of awards*

No minimum period is prescribed under the Plan prior to the exercise or lapse of an award, which will be determined by the Remuneration Committee on making particular awards. The maximum period prior to the exercise or lapse of an award may not be more than ten years.

Awards under the Plan may be made subject to the attainment of performance targets in such objective manner as the Remuneration Committee considers appropriate. Performance targets may be set by reference to overall group financial performance or the performance of the participant.

Awards will usually lapse on termination of employment although the Remuneration Committee has the power to provide that awards will either become exercisable or vest on termination of employment by reason of death, disability or normal or early retirement, or in the case of hardship or other special circumstances.

All awards under the Plan must also prescribe the extent to which awards will vest and/or become exercisable in the event of a change of control of the Company.

(vi) *Adjustments of capital structure*

In the event of a variation in the capital structure of the Company, the Remuneration Committee may provide for adjustments in the number and kind of shares and/or the option price or other price of shares subject to outstanding awards granted under the Plan.

(vii) *Administration and amendment*

The Remuneration Committee may at any time amend the Plan in whole or in part provided that the prior approval of the shareholders of the Company is obtained for any amendments to provisions relating to eligibility, the overall limit on the issue of new shares and any adjustments to any existing awards, where such changes are to the advantage of participants (save for minor amendments to benefit the administration of the Plan, to take account of changes in legislation or to obtain or maintain favourable taxation or regulatory treatment for participants or for any member of the Group).

The Remuneration Committee is also empowered, if it becomes necessary, to approve such supplements to or amendments, restatements or alternative versions of the Plan as it may consider necessary or appropriate to take account of local law, tax policy or custom in particular jurisdictions.

(viii) *Taxation*

If any PAYE income tax or employee's or employer's national insurance contributions liabilities arise in connection with any award under the Plan, the relevant awardee must enter into arrangements satisfactory to the Directors to reimburse the Company or any subsidiary of the Company for such liabilities.

(ix) *Awards under the Plan on Admission*

In connection with Admission, the Board proposes to grant awards under the Plan over in total 3,000,000 Ordinary Shares. These awards will take the form of a mixture of EMI share options, unapproved share options and restricted shares, at the discretion of the Remuneration Committee, taking into account the circumstances of the relevant employees.

The vesting of such awards made to Executive Directors and certain senior managers will be subject to the satisfaction of performance conditions (save in certain exceptional circumstances), as described below. These awards to Executive Directors and certain senior managers will vest in full if there is a change of control of the Company under a takeover offer or otherwise, provided

that the Remuneration Committee is reasonably satisfied that the performance conditions were still capable of being met.

Performance conditions

- (1) "Profits" in (2) to (8) below refers to post tax profits of the Company excluding exceptional items and computed according to 2005 accounting standards.
- (2) One third of each option granted on Admission will become capable of vesting if the Profits for 2006 are at least 18.0 per cent. greater than the Profits for 2005 of £2.458 million.
- (3) If the 2006 target has been met, a further third of each option will become capable of vesting if the Profits for 2007 are at least 46.5 per cent. greater than the Profits for 2005 of £2.458 million.
- (4) If the 2006 target has not been met but the Profit target set out in (3) above has been met, the options capable of vesting based on the Profits for 2006 and 2007 will become capable of vesting.
- (5) If the Profits for 2008 are at least 79.0 per cent. greater than the Profits for 2005 of £2.458 million, a third of each option will become capable of vesting.
- (6) In addition, if the 2006 and/or the 2007 targets have not been met, if the 2008 target is met then all the options capable of vesting based on the Profits for 2006 and 2007 will also vest (i.e. the portion of each option then outstanding because 2006 and/or 2007 targets had not been met).
- (7) The 2008 target will be deemed to have been met if the Remuneration Committee is satisfied that the 2008 target would have been met save for the fact that the Company opened more than five new units in that accounting period.
- (8) To the extent that options have become capable of vesting on the satisfaction of the targets described above, they will actually vest on the third anniversary of the date of grant, provided that the relevant executive or senior manager has remained in continuous employment with the Company or a subsidiary of the Company until that date.

The remainder of the options awarded to the senior managers referred to above and all awards to other employees will vest three years after the date of grant, provided that the employee continues in the employment of the Company at that time (save in certain exceptional circumstances).

The Remuneration Committee may make future awards under the Plan subject to performance conditions different from those described above, taking into account market conditions and the Company's circumstances at the relevant time.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of the business, have been entered into by the Company in the two years preceding the publication of this document and are or may be material:

(a) Placing Agreement

A conditional agreement dated 8 December 2005 has been entered into between Altium, Close Brothers, the Company, the Directors and certain Selling Shareholders whereby Altium has agreed with the Company and certain of the Selling Shareholders, subject to the terms set out therein, to use its reasonable endeavours to procure places for the Sale Shares at the Placing Price. Altium has agreed to purchase any outstanding Sale Shares to the extent that it is unable to procure places. The Placing Agreement contains certain warranties and indemnities given by the Company, the Directors and certain of the Selling Shareholders. The Placing Agreement is conditional, *inter alia*, upon Admission becoming effective by no later than 14 December 2005 (or such later date, being no later than 31 January 2006, as the Company, Close Brothers and Altium may agree). It may be terminated at any time prior to Admission in the event that, *inter alia*, any statements contained in this document are discovered to be untrue, inaccurate or misleading in

any respect, or where there has been a breach of any warranties given in the Placing Agreement, which in either case are considered to be material in the context of the Placing.

In consideration for their services under the Placing Agreement, the Company has agreed to pay to Close Brothers a corporate finance fee of £375,000 and has agreed to pay to Altium a corporate finance fee of £100,000. In addition the Company has agreed to bear all other expenses relating to the flotation of the Company. Pursuant to the Placing Agreement and the Share Sale Agreements, the Selling Shareholders have agreed to pay to Altium a commission of 2.5 per cent. of the aggregate value of the Sale Shares at the Placing Price plus 0.5 per cent. of the aggregate value of the Sale Shares at the market price of an Ordinary Share on the seventh day following the date of Admission (the "Seventh Day Price"). The Company has further agreed to pay to Altium an additional corporate finance fee equal to 0.25 per cent. of the amount which the price of the Ordinary Shares on the ninetieth day following Admission exceeds the Seventh Day Price multiplied by the number of Sale Shares, subject to a reduction (up to a maximum of £100,000) if Altium's total aggregate fees and commissions from the Company and Selling Shareholders exceed £1,000,000.

(b) Lock-in agreements

Under the terms of lock-in agreements entered into between the Company and each of the Directors and employee shareholders, undertakings have been given to the Company and to Altium and Close Brothers to the effect that (subject to certain limited exceptions) they will not dispose of Ordinary Shares held by them following Admission at any time prior to the first anniversary of Admission.

The Directors and employee shareholders have also agreed with the Company, Close Brothers and Altium that during the period from the date of the first anniversary of Admission until the second anniversary they will only dispose of their Ordinary Shares through Altium.

Similar agreements have been entered into by certain other Selling Shareholders (including Priscilla Carluccio), further details of which are set out in paragraph 11 of Part I.

(c) Nominated Adviser Agreement

On 8 December 2005 the Company entered into an agreement with Close Brothers pursuant to which Close Brothers, inter alia, agreed to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay Close Brothers a fee for the first twelve months at the annual rate of £20,000 and thereafter at an annual rate of £30,000 for these services. The engagement is for an initial period of 12 months and, subject to being renewed on the expiry of the initial period, will be terminable by either party on three months' notice, save in the case of material breach where it can be immediately terminated.

(d) Broker Agreement

On 8 December 2005 the Company entered into an agreement with Altium pursuant to which Altium, inter alia, agreed to act as broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Altium a fee for the first twelve months at an annual rate of £15,000 and thereafter at an annual rate of £25,000. The engagement is for an initial period of 12 months and, subject to being renewed at the end of the initial period, will be terminable by either party on three months' notice.

(e) Trade Mark Licence Agreement as amended by a variation agreement dated 5 December 2005

On 27 July 1999, the Company entered into a trade mark licence agreement with Antonio and Priscilla Carluccio and Carluccio's Partnership relating to the use of the "Carluccio's" names and logos. Under this agreement, the Company has been granted a worldwide, irrevocable and indefinite licence to use the relevant trade marks. The licence is exclusive for all purposes (save that Antonio and Priscilla Carluccio may operate up to two restaurants worldwide using the trade marks and the rights to use the trade marks in respect of books and other media are reserved to them). The licence is also royalty free (save for limited royalty sharing arrangements in respect of the endorsement of specified cookware under a separate 1998 agreement between William Levine Limited and the Carluccio's Partnership).

Antonio and Priscilla Carluccio and the Company also entered into a variation agreement dated 5 December 2005. Antonio and Priscilla Carluccio may use their own names in connection with

consultancy services to restaurants, kitchenware and mushroom products. Other than these rights, and the limited rights to use the relevant trade marks in respect of two restaurants, books and media (as noted above), Antonio and Priscilla Carluccio may not: apply their names to other goods, services or packaging; endorse goods or services of an inferior quality or which may damage the goodwill of the Company; or endorse directly competitive goods or services. The Company was granted a right of first refusal on new food products developed by Antonio and Priscilla Carluccio, and non-exclusive rights to use their images and sell their books and other media.

(f) Consultancy Agreement with Antonio Carluccio

The Company has entered into a consultancy agreement with Antonio Carluccio dated 5 December 2005 pursuant to which Antonio Carluccio has agreed to provide product development related consultancy services to the Company. The duration of the agreement is two years or such longer period as may be agreed by the parties in writing. The annual fee payable by the Company is £72,000. An additional fee of £2,000 is payable by the Company at a per diem rate for any services outside the scope of the agreement. Antonio Carluccio is also entitled to an additional allowance of £300 per calendar month for travelling, hotel, entertainment and other out of pocket expenses. The agreement may be terminated by either party at any time on six months' written notice, not to be served prior to the first anniversary.

(g) Consultancy Agreement with Priscilla Carluccio

The Company has entered into a consultancy agreement with Priscilla Carluccio dated 5 December 2005 pursuant to which Priscilla Carluccio is to provide brand development and restaurant design related consultancy services to the Company. The duration of the agreement is two years or such longer period as may be agreed by the parties in writing. The annual fee payable by the Company is £50,000. An additional fee of £2,000 is payable by the Company at a per diem rate for any services outside the scope of the agreement. Priscilla Carluccio is also entitled to an additional allowance of £300 per calendar month for travelling, hotel, entertainment and other out of pocket expenses. The agreement may be terminated by either party at any time on six months' written notice, not to be served prior to the first anniversary.

11. LITIGATION

The Company is not engaged in and has not in the previous 12 months been engaged in, nor has pending or threatened either by it or against it, any governmental, legal or arbitration proceedings which are having or may have a significant effect on the financial position of the Company.

12. WORKING CAPITAL

The Directors believe, having made due and careful enquiry, that, having regard to the Company's existing reserves and the bank facilities available to the Company, the working capital available to the Company from the time of Admission will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13. TAXATION

Dividends

- (a) Under current UK legislation, no tax will be withheld from any dividend paid by the Company.
- (b) A shareholder who is an individual resident for tax purposes in the UK and who receives a dividend is entitled to a tax credit equal to one-ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross dividend calculated at 32.5 per cent. of the gross dividend, less the related tax credit.
- (c) With the exception of investors holding shares through personal equity plans ("PEPs") or individual savings accounts ("ISAs"), shareholders who are not liable to income tax or corporation tax on

dividends received by them will not be entitled to claim payment of the tax credit in respect of those dividends.

- (d) A shareholder that is a company resident for tax purposes in the United Kingdom will not generally be taxable on any dividend it receives from the Company.
- (e) The right of a shareholder who is not resident for tax purposes in the United Kingdom to a tax credit in respect of a dividend received from the Company and to claim repayment of any part of that tax credit will depend on the existence and terms of any double taxation convention between the United Kingdom and the country in which the holder is resident. Holders who are not solely resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

The above statements are intended only as a general guide to the current tax position under UK taxation law and practice. A shareholder who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the United Kingdom should consult his or her professional adviser without delay.

14. GENERAL

- (a) BDO Stoy Hayward LLP have given and not withdrawn their written consent to the inclusion of their report in Part III Section A of this document in the form and context in which it appears.
- (b) Close Brothers and Altium have given and have not withdrawn their written consent to the issue of this document with the inclusion herein of the references to their names in the form and context in which they appear.
- (c) Where information in this document is indicated as having been sourced from a third party, such information has been accurately reproduced and as far as the Company is aware from information published by the relevant third parties, no facts have been omitted from this document which would render the information inaccurate or misleading.
- (d) There has been no significant change in the trading or financial position of the Company since 25 September 2005 being the latest date to which audited accounts have been prepared for the Company.
- (e) The expenses of, and incidental to, the Admission, including commissions, registration and listing fees, printing, advertising and distribution costs, legal and accounting fees and expenses, are estimated to amount to approximately £1.35 million (inclusive of VAT) and are payable by the Company.
- (f) The Ordinary Shares are in registered form. The Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The ISIN for the Ordinary Shares is GB00B0Q4N517.
- (g) Temporary documents of title will not be issued and pending despatch of share certificates transfers will be certified against the share register. It is expected that share certificates will be despatched at the risk of the persons entitled thereto by the Company's Registrars, Capita Registrars.
- (h) The Company will be subject to the City Code, including the rules regarding mandatory takeover offers set out in the City Code. Under Rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of the company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights, then in either case that person together with the persons acting in concert with him is normally required to make a general offer in cash, at the highest price paid by him, or any person acting in concert with him, for shares in the company within the preceding 12 months, for all the remaining equity share capital of the company.
- (i) The Ordinary Shares of the Company will also be subject to the compulsory acquisition procedures set out in sections 428 to 430F (inclusive) of the Act. Under section 429 of the Act, where an offeror

makes a takeover offer (as defined in section 428 of the Act) and receives valid acceptances in respect of, or acquires, more than 90 per cent. of the shares to which the offer relates, that offeror is entitled to acquire compulsorily those shares not assented to the offer.

- (j) Copies of this document will be available free of charge for one month from the date of Admission at the offices of Close Brothers, 10 Crown Place, London EC2A 4FT.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Jones Day, 21 Tudor Street, London EC4M 0DJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for one month from the date of Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the audited accounts of the Company for the three years ended 25 September 2005;
- (c) the rules of the Equity Incentive Schemes referred to in paragraph 9 above;
- (d) the material contracts referred to in paragraph 10 above;
- (e) the directors' service contracts referred to in paragraph 8 above;
- (f) the written consents and letters of engagement referred to in paragraph 14 above;
- (g) this document.

Dated 8 December 2005



“This place is so great we were tempted to keep it to ourselves.” TIME OUT “The company was set up in 1991 by the Italian food guru Antonio Carluccio and his wife Priscilla. Its sales have grown by nearly 110% a year from £1.4m in 1999 to £12.7m in 2002, placing them as the 16TH fastest growing non quoted company in Britain.” SUNDAY TIMES FAST TRACK 100 - DECEMBER 2003 “Carluccio’s Caffès are a godsend for people who like eating out *Carluccio’s* with their children but don’t like junk food.” THE OBSERVER “Antonio and Priscilla’s burgeoning caffè and deli empire does a major public service, bringing great Italian produce and reliable casalinga cooking to the masses at masses-friendly prices.” INDEPENDENT ON SUNDAY “The coffee,” blurted out Faggionato, is the best I’ve ever had in London.” AA GILL - THE SUNDAY TIMES “It’s normal to cast aspersions at chains of this length, but the trouble is these places are too damn good.” TIME OUT EATING AND DRINKING 21ST EDITION 2004 “For lovers of Italian culinary culture, Carluccio’s is a London institution.” THE TIMES, APRIL 2004 “A legend in its own dinnertime” RESTAURANT MAGAZINE, OCTOBER 2004 “Carluccio’s is an experience for the senses, a beautiful store.” CHOICE, JANUARY 2005 “With Carluccio’s you’re getting much more than a place to eat” READING EVENING POST, SEPTEMBER, 2005