



*Carluccio's*

INTERIM REPORT & ACCOUNTS 2010

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**2010**

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# Financial Highlights

01

# 51%

Industry leading CROCI  
(Cash Return on Cash Invested)

# 0.8p

Interim dividend, increased  
by 14% over prior year

# £3.8m

cash reserves, an increase  
of £1m showing strong  
cash generation

*I am pleased to report good progress in the period. Profit before tax grew by 8% and our cash balance grew by £1m despite having to deal with the twin challenges of new National Minimum Wage legislation and a return to a higher VAT rate.*

STEPHEN GEE  
Chairman

	26 WEEKS TO 28 MARCH 2010	26 WEEKS TO 29 MARCH 2009	CHANGE (%)
Turnover (£m)	37.1	34.5	+8
EBITDA (£m)*	4.1	3.7	+10
Cash and cash equivalents (£m)	3.8	2.8	+37
Profit before tax (£m)	2.7	2.5	+8
Basic earnings per share (pence)	3.2	2.9	+10
Proposed interim dividend (pence)	0.8	0.7	+14

\* Earnings before Interest Tax Depreciation and Amortisation (EBITDA). See note 6 to the financial statements for details.

# Chairman's interim statement

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02

*Our flexible, all day trading, business model with a low average spend in the caffè of £13 has proved extremely resilient. We serve in excess of 140,000 customers every week in our restaurants and food shops all of whom come to enjoy our excellent quality, authentic Italian food. This level of customer loyalty combined with our positive cash position augurs well for the future and together with the inherent strength of our business model, should ensure that we report further progress in the second half of the year.*

## RESULTS

I am pleased to report a successful first half of the year. Turnover for the 26 weeks increased to £37.1m (2009: £34.5m). EBITDA (Earnings before interest, tax, depreciation and amortisation) increased to £4.1m (2009: £3.7m) and profit before tax increased by 8% to £2.7m (2009: £2.5m). Earnings per share grew by 10% to 3.2 pence, ahead of profit growth due to a decline in the tax charge from 34% to a more usual 32% of profit before tax.

These increases have been achieved despite having to overcome the twin challenges of the new National Minimum Wage legislation and the reintroduction of a higher VAT rate of 17.5%. The strong growth in profit outlined above and a £1m increase in our cash balance will enable the payment of an increased interim dividend of 0.8 pence per share (2009: 0.7 pence). The interim dividend will be paid on 18 June 2010 to shareholders on the register as at 28 May 2010.

We continue to achieve an industry leading average cash return on cash invested (CROCI) of 51% which resulted in our cash balance growing by 37% to £3.8m. As well as the payment of an increased dividend, this strong cash generation will ensure that we continue to finance our now enhanced opening programme out of internally generated cash flow.

We have already opened three new stores this financial year in Wimbledon, Exeter and Cardiff and are due to open a fourth store in Milton Keynes in July. All of the newly opened stores are trading encouragingly ahead of Board expectations and our total estate now numbers 45. A further 7 new stores are in the pipeline and 5 of these are expected to open before the calendar year end.

Following the favourable response from our customers we have continued our store refurbishment programme to reflect our new updated design style. We have now completed five stores all of which have shown an uplift in trade and we will continue refurbishing stores throughout the next year.

Our franchisee in the Middle East, the Landmark Group, has opened two more stores in Dubai during the period bringing the total number of sites to three. A fourth site, in Qatar, is scheduled to open in late 2010 and Landmark is actively searching for more sites. I am pleased to report that the dispute between our Irish franchisee and their landlord in Dublin has been amicably resolved and the rent has been reduced to a level more in line with the current Irish property values. This resolution will now allow our franchisee to focus on the further development of the Carluccio's brand in Ireland.

Trading since the year end has been positive and is in line with the Board's expectations. The trading environment, however, is likely to remain difficult to predict and uncertain in the near term. The impact of a Coalition Government following the outcome of the General Election and the need to take dramatic action to reduce the budget deficit will only add to this climate of uncertainty. Our flexible, all day trading, business model with a low average spend in the caffè of £13 has proved extremely resilient. We serve in excess of 140,000 customers every week in our restaurants and food shops all of whom come to enjoy our excellent quality, authentic Italian food. This level of customer loyalty combined with our positive cash position augurs well for the future and together with the inherent strength of our business model, should ensure that we report further progress in the second half of the year.

# Interim snapshot

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04

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new Carluccio's opened in the period. A fourth store in Milton Keynes is due to open in July 2010

45

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stores trading in the UK with a further 4 stores under franchise

7

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sites secured in the site pipeline and 5 scheduled to open by the end of the calendar year

2

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further stores under franchise opened in Dubai in March and April, building on the success of the initial opening with a 4th store opening in Qatar

3.2p

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basic EPS growing by +10% over prior year

Successful resolution of Dublin franchise rent negotiations

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# Statement of comprehensive income

For the 26 weeks ended 28 March 2010

05

	Note	Unaudited 26 weeks ended 28 March 2010 £'000	Unaudited 26 weeks ended 29 March 2009 £'000	Audited 52 weeks ended 27 September 2009 £'000
<b>Revenue</b>		37,128	34,497	69,017
Cost of sales		(30,534)	(28,605)	(57,153)
<b>Gross profit</b>		6,594	5,892	11,864
Administrative expenses		(3,876)	(3,402)	(8,924)
<b>Operating profit before provision for impairment and onerous lease costs</b>		<b>2,718</b>	<b>2,490</b>	<b>4,648</b>
Impairment provision		-	-	(1,208)
Onerous lease costs		-	-	(500)
<b>Operating profit</b>		<b>2,718</b>	<b>2,490</b>	<b>2,940</b>
Finance income		7	33	38
Finance expense		(14)	(14)	(22)
<b>Profit before taxation</b>		<b>2,711</b>	<b>2,509</b>	<b>2,956</b>
Income tax expense		(873)	(863)	(1,446)
<b>Profit for the period and total comprehensive income for the period attributable to equity shareholders</b>		<b>1,838</b>	<b>1,646</b>	<b>1,510</b>
Basic earnings per share (pence)	5	3.2	2.9	2.6
Diluted earnings per share (pence)	5	3.2	2.9	2.6

# Balance sheet

as at 28 March 2010

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	Unaudited as at 28 March 2010 £'000	Unaudited as at 29 March 2009 £'000	Audited as at 27 September 2009 £'000
<b>Non-current assets</b>			
Intangible assets	221	176	193
Property, plant & equipment	24,784	23,511	23,557
Prepaid operating lease charges	1,297	1,389	1,239
	26,302	25,076	24,989
<b>Current assets</b>			
Inventories	1,421	1,311	1,650
Trade & other receivables	491	515	552
Prepayments and accrued income	1,752	1,783	1,899
Prepaid operating lease charges	124	119	113
Cash and cash equivalents	3,767	2,753	3,056
	7,555	6,481	7,270
<b>Total assets</b>	<b>33,857</b>	<b>31,557</b>	<b>32,259</b>
<b>Current liabilities</b>			
Trade and other payables	3,671	3,718	3,411
Other tax and social security	1,874	1,422	1,797
Accruals	4,279	3,949	4,338
Corporation tax liabilities	1,078	891	901
Provisions	132	-	132
	11,034	9,980	10,579
<b>Non-current liabilities</b>			
Accruals	2,331	2,122	2,192
Deferred tax liabilities	1,655	1,834	1,753
Provisions	302	-	368
	4,288	3,956	4,313
<b>Total liabilities</b>	<b>15,322</b>	<b>13,936</b>	<b>14,892</b>
<b>Net assets</b>	<b>18,535</b>	<b>17,621</b>	<b>17,367</b>
<b>Shareholders' equity</b>			
Share capital	2,961	2,874	2,919
Share premium account	3,404	1,972	2,682
EBT reserve	(1,784)	(269)	(1,020)
Retained earnings	13,954	13,044	12,786
<b>Shareholders' equity attributable to equity holders of the parent</b>	<b>18,535</b>	<b>17,621</b>	<b>17,367</b>

# Statement of changes in equity

as at 28 March 2010

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	Share Capital £'000	Share premium account £'000	EBT Reserve £'000	Retained earnings £'000	Total equity £'000
<b>At 27 September 2009</b>	<b>2,919</b>	<b>2,682</b>	<b>(1,020)</b>	<b>12,786</b>	<b>17,367</b>
Total comprehensive income for the period	-	-	-	1,838	1,838
Tax on share options taken directly to reserves	-	-	-	146	146
Issue of shares	42	722	(764)	-	-
Dividends paid	-	-	-	(913)	(913)
Share based payment credited to reserves	-	-	-	97	97
<b>At 28 March 2010</b>	<b>2,961</b>	<b>3,404</b>	<b>(1,784)</b>	<b>13,954</b>	<b>18,535</b>
<b>At 28 September 2008</b>	<b>2,852</b>	<b>1,725</b>	<b>-</b>	<b>12,181</b>	<b>16,758</b>
Total comprehensive income for the period	-	-	-	1,646	1,646
Tax on share options taken directly to reserves	-	-	-	(108)	(108)
Issue of shares	22	247	(269)	-	-
Dividends paid	-	-	-	(913)	(913)
Share based payment credited to reserves	-	-	-	238	238
<b>At 29 March 2009</b>	<b>2,874</b>	<b>1,972</b>	<b>(269)</b>	<b>13,044</b>	<b>17,621</b>
<b>At 28 September 2008</b>	<b>2,852</b>	<b>1,725</b>	<b>-</b>	<b>12,181</b>	<b>16,758</b>
Total comprehensive income for the period	-	-	-	1,510	1,510
Tax on share options taken directly to reserves	-	-	-	(52)	(52)
Issue of shares	67	957	(1,020)	-	4
Dividends paid	-	-	-	(1,312)	(1,312)
Share based payment credited to reserves	-	-	-	459	459
<b>At 27 September 2009</b>	<b>2,919</b>	<b>2,682</b>	<b>(1,020)</b>	<b>12,786</b>	<b>17,367</b>

# Cashflow statement

For the 26 weeks ended 28 March 2010

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	Unaudited 26 weeks ended 28 March 2010 £'000	Unaudited 26 weeks ended 29 March 2009 £'000	Audited 52 weeks ended 27 September 2009 £'000
<b>Profit before taxation</b>	2,711	2,509	2,956
Amortisation and depreciation	1,353	1,219	2,493
Share based payment charge	97	238	459
Net finance cost / (income)	7	(19)	(16)
Provision for impairment and onerous lease costs	(66)	-	1,708
Loss on disposal of property, plant and equipment	71	14	42
<b>Cash flows from operating activities before changes in working capital</b>	<b>4,173</b>	<b>3,961</b>	<b>7,642</b>
Decrease / (increase) in inventories	229	168	(168)
Decrease / (increase) in receivables	208	(237)	(390)
Increase / (decrease) in payables	417	(1,219)	(692)
<b>Net cash inflow from operating activities before tax</b>	<b>5,027</b>	<b>2,673</b>	<b>6,392</b>
Corporation tax paid	(646)	(598)	(1,197)
<b>Net cash inflow from operating activities</b>	<b>4,381</b>	<b>2,075</b>	<b>5,195</b>
<b>Cash flows from investing activities</b>			
Finance income	7	33	38
Payments to acquire property, plant & equipment and intangible assets	(2,625)	(2,015)	(4,390)
Prepaid operating lease charges – lease premiums	(125)	-	(44)
<b>Net cash outflow from investing activities</b>	<b>(2,743)</b>	<b>(1,982)</b>	<b>(4,396)</b>
<b>Cash flows from financing activities</b>			
Finance cost	(14)	(14)	(22)
Proceeds from issue of share capital	-	-	4
Equity dividends paid	(913)	(913)	(1,312)
<b>Net cash outflow from financing activities</b>	<b>(927)</b>	<b>(927)</b>	<b>(1,330)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>711</b>	<b>(834)</b>	<b>(531)</b>
Cash and cash equivalents at beginning of period	3,056	3,587	3,587
<b>Cash and cash equivalents at end of period</b>	<b>3,767</b>	<b>2,753</b>	<b>3,056</b>

# Notes to the financial statements

*For the 26 weeks ended 28 March 2010*

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## I. GENERAL INFORMATION

Carluccio's PLC is a public limited company incorporated in the United Kingdom with registration number 02001576. The Company is domiciled in the United Kingdom and has its registered office at 35 Rose Street, Covent Garden, London WC2E 9EB. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. Copies of the interim report will be sent to shareholders or can be obtained from the website at [www.carluccios.com](http://www.carluccios.com).

## 2. BASIS OF PREPARATION

The financial statements have been prepared using International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

During the period the Company has adopted IAS 1 (amended) 'Presentation of Financial Statements'. The effect of this is presentational and has no impact on the reported profit or net assets.

Other than stated above, the same accounting policies, presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the Company's financial statements for the year ended 27 September 2009.

The interim financial information contained in these statements covers the 26 weeks from 28 September 2009 to 28 March 2010, is unaudited and does not constitute statutory financial statements as defined in Section 435 of the Companies Act 2006. The financial information for the 52 weeks ended 27 September 2009 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2009 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where stated otherwise.

## 3. SEGMENTAL INFORMATION

Revenue is attributable to the principal activity of the Company which is carried out substantially in the United Kingdom.

The Company operates in one business sector (caffè and foodshops) and in substantially one geographical market (the United Kingdom), therefore no segmental information is presented.

## 4. DIVIDEND

The directors are proposing the payment of an interim dividend of 0.8 pence per ordinary share (2009: 0.7 pence). The total dividend payable will be £456,000 (2009: £399,000) and will be paid to all shareholders on 18 June 2010 provided that they appear on the register as at 28 May 2010. The final dividend of 1.6 pence per ordinary share (2009: 1.6 pence) for the 52 weeks ended 27 September 2009 was paid on 19 February 2010. The total amount of the dividend payment was £913,000 (2009: £913,000).

# Notes to the financial statements

For the 26 weeks ended 28 March 2010

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## 5. EARNINGS PER ORDINARY SHARE (EPS)

Numerator	Unaudited 26 weeks ended 28 March 2010 £'000	Unaudited 26 weeks ended 29 March 2009 £'000	Audited 52 weeks ended 27 September 2009 £'000
Profit for the period (basic earnings per share)	1,838	1,646	1,510
Provision for impairment net of tax	-	-	1,394
Share-based payments net of tax	70	171	511
Pre-opening expenses net of tax	399	344	778
Adjusted profit for the period (adjusted earnings per share)	2,307	2,161	4,193

In calculating adjusted earnings per share, profit for the period has been adjusted for several items to enable a clearer view of underlying Company performance:

- The provisions for impairment and onerous leases do not relate to trading activities of the Company and are non-cash in nature.
- IFRS 2 'Share based payment transactions' requires that entities calculate the cost of issuing employee options. This is an exercise resulting in an accounting adjustment only. It is neither a cash expense nor a liability that will result in the outflow of cash in the future and is therefore added back to provide a clearer picture of underlying Company performance. Similarly, the deferred tax implications of IFRS 2 are adjusted for.
- Pre-opening expenses are incurred in the marketing of new caffè and foodshops prior to opening to the public and the commencement of revenue generating activities and as such are unique to each store. These are therefore added back to provide a clearer picture of underlying Company performance.

Denominator	Unaudited 26 weeks ended 28 March 2010 Number ( '000)	Unaudited 26 weeks ended 29 March 2009 Number ( '000)	Audited 52 weeks ended 27 September 2009 Number ( '000)
Weighted average number of equity shares (basic earnings per share)	57,043	57,038	57,044
Impact of dilutive share options	1,008	734	855
Diluted number of ordinary shares (diluted earnings per share)	58,051	57,772	57,899

	Unaudited 26 weeks ended 28 March 2010 Pence	Unaudited 26 weeks ended 29 March 2009 Pence	Audited 52 weeks ended 27 September 2009 Pence
Basic earnings per share	3.2	2.9	2.6
Diluted earnings per share	3.2	2.9	2.6
Adjusted basic earnings per share	4.0	3.8	7.4
Adjusted diluted earnings per share	4.0	3.7	7.2

## 6. ADJUSTED EARNINGS BEFORE INTEREST TAX AND DEPRECIATION (EBITDA)

	Unaudited 26 weeks ended 28 March 2010 £'000	Unaudited 26 weeks ended 29 March 2009 £'000	Audited 52 weeks ended 27 September 2009 £'000
Operating Profit	2,718	2,490	2,940
Depreciation and amortisation	1,353	1,219	2,493
<b>EBITDA</b>	<b>4,071</b>	<b>3,709</b>	<b>5,433</b>
Impairment provision	-	-	1,708
IFRS 2 Share based payments	97	238	459
Pre-opening expenses	554	478	1,080
<b>Adjusted EBITDA</b>	<b>4,722</b>	<b>4,425</b>	<b>8,680</b>

## 7. SHARE CAPITAL

	Unaudited as at 28 March 2010 Number (‘000)	Unaudited as at 29 March 2009 Number (‘000)	Audited as at 27 Sept 2009 Number (‘000)	Unaudited as at 28 March 2010 £'000	Unaudited as at 29 March 2009 £'000	Audited as at 27 Sept 2009 £'000
Allotted, called up and fully paid						
Ordinary shares of 5p each	59,217	57,468	58,373	2,961	2,874	2,919
	59,217	57,468	58,373	2,961	2,874	2,919

Movements in share capital	Number ('000)	£'000
At 29 September 2008	57,038	2,852
Issue of shares	430	22
At 29 March 2009	57,468	2,874
Issue of shares	900	45
Exercise of share options	5	-
At 27 September 2009	58,373	2,919
Issue of shares	844	42
At 28 March 2010	59,217	2,961

# Company information

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**DIRECTORS:**

Stephen Gee (Chairman)  
Simon Kossoff (Managing Director)  
Frank Bandura (Finance Director)  
Sarah Murray (Operations Director)  
David Bernstein (Non-Executive Director)  
Scott Svenson (Non-Executive Director)  
Peter Webber (Non-Executive Director)

**SECRETARY:**

Frank Bandura

**REGISTERED OFFICE:**

35 Rose Street  
Covent Garden  
London WC2E 9EB

**REGISTERED NUMBER:**

2001576

**BROKER AND NOMINATED ADVISOR:**

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[www.carluccios.com](http://www.carluccios.com)

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Photography by Steve Lancefield

## 50 caffès

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CENTRAL LONDON	THE BRUNSWICK CANARY WHARF COVENT GARDEN FENWICK, BOND STREET MARKET PLACE	SMITHFIELD SOUTH KENSINGTON SPITALFIELDS ST. CHRISTOPHER'S PLACE ST. PANCRAS INTERNATIONAL
GREATER LONDON	CHISWICK EALING EARLSFIELD FENWICK, BRENT CROSS FULHAM ROAD HAMPSTEAD	HEATHROW TERMINAL 5 ISLINGTON NOTTING HILL PUTNEY ST. JOHN'S WOOD WIMBLEDON
BERKSHIRE	READING	WINDSOR
BUCKINGHAMSHIRE	MILTON KEYNES	
CAMBRIDGESHIRE	CAMBRIDGE	
DEVON	EXETER	
HERTFORDSHIRE	ST. ALBANS	
KENT	BLUEWATER CANTERBURY	TUNBRIDGE WELLS
LEICESTERSHIRE	LEICESTER	
MANCHESTER	SPINNINGFIELDS	TRAFFORD CENTRE
OXFORDSHIRE	BICESTER	OXFORD
AVON	CRIBBS CAUSEWAY, BRISTOL	QUAKERS FRIAR, BRISTOL
SURREY	BENTALLS, KINGSTON UPON THAMES CHARTER QUAY, KINGSTON UPON THAMES	ESHER RICHMOND WALTON-ON-THAMES
EAST SUSSEX	BRIGHTON	
WARWICKSHIRE	STRATFORD-UPON-AVON	
WALES	CARDIFF	
REPUBLIC OF IRELAND	DUBLIN	
UNITED ARAB EMIRATES	DUBAI MALL MARINA MALL, DUBAI	MIRDIFF CITY, DUBAI



*Carluccio's*