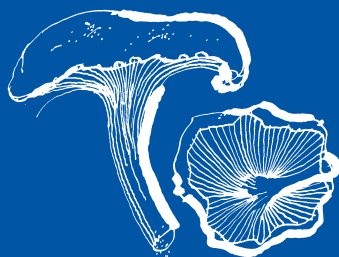


Carluccio's

*Il GUSTO
d'ITALIA*



Annual Report and Accounts

2007





Indicatori Finanziari

Financial Highlights

+18%

Increase in turnover

2007: £54.0m (2006: £45.8m)

2.2p

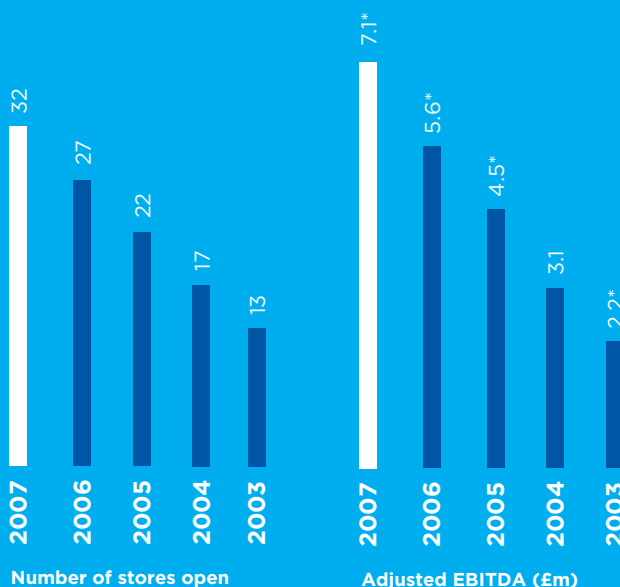
Dividend per share

+47% over prior year

£5.3m

Profit before tax

+66% over prior year



Five Year Highlights

	2003	2004	2005	2006	2007
Number of stores open	13	17	22	27	32
Turnover (£m)	19.8	27.8	36.8	45.8	54.0
Adjusted profit before tax (£m)*	1.6*	2.3	3.5*	4.3*	5.6*
Cash flow from operating activities (£m)*	2.1*	4.7	5.9*	6.7*	8.0*

*Excluding exceptional income/expense. 2006 & 2007 excluding first time adoption of FRS 20 share based payments

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ricotta
caciotta
caciocavallo
canestrato
caprino
stracchino
pecorino
parmigiano
provolone
mascarpone
mozzarella
montasio
bel paese
robiola
gorgonzola



Una Ricetta per il Successo

A Recipe for Success

Six new stores

2008 store opening programme secured

First franchise deal

Profit before tax +66%

6.5p diluted eps

Industry-leading cash returns > 60%

£8.0m cash generated from operations

2.2p dividend +47%

From our kitchens to our offices, from our grower-producers to our designers, Carluccio's is a healthy, hard-working brand. We are passionate about food, fresh authentic Italian food in particular, and this passion infuses the way we think about everything.

Turnover, pre-tax profits and earnings per share continued to grow at double-digit rates for the sixth consecutive year. Our cash returns are industry-leading and our strong cash generation has enabled us to increase our dividend payout by 47%. The business is enriched by excellent training, product sourcing and industry recognition. We opened six new stores, including one in Manchester, continuing to spread our geographical roots from our London base. We signed our first franchise deal and, not far from our beginnings in Covent Garden, we launched our Garrick Street flagship.

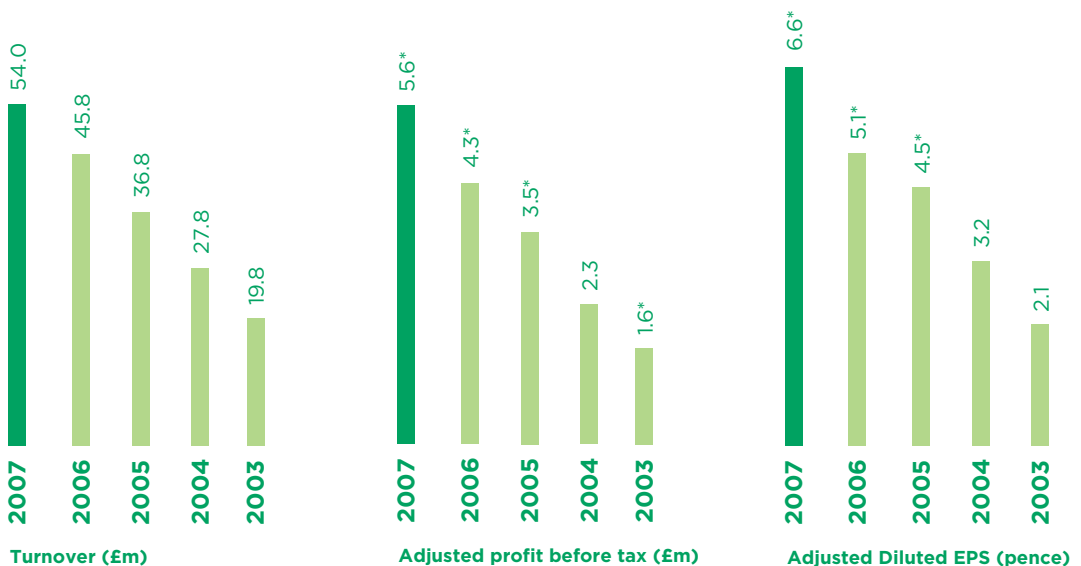


Carluccio's Covent Garden: flagship caffè, restaurant and foodshop, with private dining room and head office

Relazione del Presidente

Chairman's Statement

Our profits have again exceeded market expectations



*Excluding exceptional income/expenses. 2006 & 2007 excluding first time adoption of FRS 20 share based payments

I am delighted to report our sixth year of uninterrupted double-digit growth in turnover, operating profit and earnings per share.

We completed six successful new openings, one more than anticipated at the beginning of the financial year. We now trade from 34 stores having opened two more since the end of the financial year. All our stores continue to be cash positive and yield an average cash return on cash invested in excess of 60%.

Review of the business

The weather during the summer of this year was particularly poor with July 2007 being the wettest on record. This significantly reduced the amount of time during which our outside seating was fully utilised. Unusually in a restaurant group, outside seating represents 25% of our total capacity. Despite the impact of these factors, our turnover for the year ended 23 September increased by 18% to £54m (2006: £45.8m).

Our profits have again exceeded market expectations. A strong focus on our supplier terms resulted in increased margins and a profit before tax of £5.3m (2006: £3.2m), an increase of 66%. Following the first time adoption of Financial Reporting Standard 20 "Share-based payments", we are now required to charge to our profit and loss account, based on a theoretical formula, the estimated value of share options granted to employees. This has resulted in a £0.3m charge to the year under review and a £0.2m prior year adjustment. Removing this charge from both years and also adjusting for the float costs incurred in 2006 results in a profit of £5.6m (2006: £4.3m) – an increase of 29%.

A lower than expected effective tax rate of 27% (2006: 25%) together with the growth in profit before tax helped increase diluted earnings per share to 6.5p (2006: 4.1p). Our strong financial performance means we are in a position to increase our proposed dividend substantially. The Directors are therefore recommending a final dividend of 1.6p making a total dividend for the year of 2.2p per share (2006: 1.5p), an increase of 47%.

Our business continues to be strongly cash generative. After financing our store opening programme and the payment of dividends, we still increased our net funds at the year end to £3.1m (2006: £2.6m). This provides us with financial security in the current economic environment of tighter credit conditions.

Store openings and development

Of the six stores we opened during the year, three were in central London, two in the London suburbs and our first store in Manchester at the Trafford Centre. Since the year end we have opened a second store in central Manchester in the Spinningfields area which is being completely redeveloped. These two openings have continued the programme of broadening our geographical spread in clusters. With our second recent opening in Stratford-upon-Avon, we have also extended our reach up the M4 corridor from Oxford and Bicester where we already trade.

Our London store openings included in August the opening of our new flagship store in Garrick Street, Covent Garden. This trades on two floors and includes our first private dining room for exclusive use bookings. The Company's head office has also moved to this building.

The pipeline of potential new sites also remains strong. Apart from this year's two initial openings, we are scheduled to open in St Pancras, the new Terminal 5 building at Heathrow and Cambridge later in the year. We have exchanged on two further sites: one in Leicester and the second in Bristol. Both are expected to open in the first half of the 2009 financial year.

We have always believed that the Carluccio's brand has international potential and I am pleased to announce that we have signed our first franchise agreement in October 2007. This is for the whole of Ireland, with the first site in Dublin already secured and scheduled to open in Spring 2008. If this proves successful, up to five more stores could be opened in Ireland and we will have established a franchising system that can be applied to other territories.

The sector

Carluccio's is in a strong position to maintain profitable growth. The number of people eating out continues to increase with expenditure on eating out approaching 40% of total food spend. Mintel forecasts that the eating out market will continue growing at 6% p.a. until at least 2012. This is substantially due to the growth in casual dining and the coffee bar culture, both of which form the backbone of our all day trading format.

Eating out regularly has become a way of life for such a large number of people in the UK. Consumers will look for a casual dining experience that offers excellent value for money at a lower cost rather than change their habits. Carluccio's, where the average customer spend is £12, will be well positioned to meet this requirement.

Management and staff

We now feed 100,000 customers each week in our restaurants and more if we include those served in our shops. To achieve this at the level of food quality and service standards to which we are committed requires a significant amount of behind the scenes support unseen by the customer. Our chefs school and our pre and post opening staff training programmes combined with our sophisticated management information systems all contribute to this. We also visit Italy on a regular basis to source the best quality products for the extensive range of shelf goods in our shops. These products are mostly branded in Carluccio's packaging which is designed specifically for us. Our efforts were recognised recently in *The Observer* Food Monthly where Carluccio's was named in their top 10 deli counters. None of this could be achieved successfully if we did not have a dedicated management team supported by an enthusiastic work force.

The business community demonstrated its recognition of our achievements by making us Best Company 2007 at the Retailers Retailer Awards and awarding our Managing Director, Simon Kossoff, Entrepreneur of the Year in the London region for customer facing businesses.

Current trading

Trading since 23 September 2007 has been ahead of the previous year and in line with expectations. Carluccio's continues to occupy a unique place in the restaurant sector with its all day trading offer and integrated food shops. I look forward to reporting further progress during 2008.

Stephen Gee

Chairman

3 December 2007



olio
aceto
cantucci
carciofi
sugo
salsa
pandoro
panettone
vino
vongole
capperi
cappellacci
polenta
porcini
torcetti
amaretti

Gli Ingredienti Essenziali

The essential ingredients

Growing our network

Quality at the source

Riches of the regions

Each Carluccio's is an unusual combination of environments: a vibrant caffè, restaurant and foodshop, all together, all open, all day, every day. From our coffee and pastry to our wine, pasta and olive oil, each ingredient is simply the best we can afford, sourced and crafted with expertise and passion.

The first Carluccio's opened in 1999 near Oxford Circus in London. Today we have 34 stores across the south, west and north of England, and new beginnings in Ireland. Our journey started in Italy – authentic Italy and its diverse regions from North to South. This is the Italy we return to again and again, to train our chefs, to meet local producers, to discover new tastes.



Carluccio's ingredients: sought after, gathered and crafted with passion and expertise

L'Ampliamento del Network

Growing our network

We choose our new sites carefully, looking for architectural interest and lively surroundings, an individual sense of place. We know that small details matter in the bigger picture, and our customers appreciate the difference.



Our new Carluccio's

Opposite page: The Brunswick (top), Spitalfields (centre left), Bentalls (centre right)

This page: Trafford Centre, Manchester (centre left), Garrick Street Private Dining (centre right), Walton (bottom)





6

NEW CARLUCCIO'S

In the last financial year we opened six new stores – one more than we'd anticipated. We launched our Garrick Street flagship. Despite its grandeur, and the addition of a private dining room upstairs, this venue is as welcoming, relaxed and affordable as your favourite local Carluccio's. *Benvenuti a tutti!*

La Qualità alla Fonte

Quality at the source



Take a trip with us to Torino, where a small family-run business called Leone produces exquisite hand-made confectionery. Our liquorice, wrapped sweets and tiny *pastiglie* are made with fine ingredients such as natural Piemontese peppermint and Calabrese *liquirizia*. A taste for subtle variations dates back to 1857, when confectioner Luigi Leone began making digestive pastilles for the local nobility.

Carluccio's chocolate fish are the handiwork of another traditional Piemontese confectioner. Caffarel celebrated their 180th anniversary last year. Their longevity lies in the combination of two passions: quality of ingredients and product innovation.

MAKING SWEETS FOR 180 YEARS



Leone and Caffarel are both examples of companies that combine artisan skills with today's technology, ensuring that their products remain true to original recipes while meeting the demands of modern food production.

Le Ricchezze delle Regioni

Riches of the regions

Italy is not one country, but many. It's more than a map of administrative regions, it's a multitude of influences including Latin, Etruscan, Arabic, Germanic, Hispanic and Hellenic. Rice-fields washed by alpine waters, volcanic sun-baked slopes, bountiful seas, forests where wild boar roam, fertile plains of grain. At Carluccio's, we celebrate the riches of each region - authentic ingredients and authentic recipes that spring from local climate, culture and place. This delicious choice is what we mean by *il gusto d'Italia*.

PRODUCTS FROM 14 REGIONS

Throughout the year, Carluccio's offers a feast of regional specialities. In 2008, we plan to tempt you with...

VENETO

The River Po flows from the Alps through the Veneto to the Adriatic Sea in the east, and the vast plain of the *Pianura Padana* is fertile terrain for cereals. The Veneto's legendary capital Venice grew to prosperity as a trading city, importing and exporting precious commodities such as gold, textiles, treasure, perfume, fruit, spices and coffee. From saffron to salt-cod, *polenta* to *porcini*, Venetian fare is richly evocative. Other exports include local DOC classics Soave, Valpolicella and Bardolino, and the Prosecco is worth celebrating.

TOSCANA

Tuscany stands at a geographical and culinary midpoint between the north and the south of Italy. This is Chianti territory. It's also the land of *cantucci* and *panforte*, both distinctively hard and sweet. Wild boar is a regional speciality, as well as beef - the *Fiorentina* steak is rightly renowned. Pasta plays second fiddle to hearty soups like *ribollita*, *farro in brodo* and *pappa al pomodoro*. Tuscan olive oil is a subtle yet defining ingredient, and the olive groves here yield exquisite differences in flavour from one valley to the next.

Emilia-Romagna

This landscape is defined by the Po River in the north, the Adriatic Sea to the east and the Apennine mountain range in the south. Within this region are the historic walled cities whose names are inseparable from specialist delicacies: Parma (the first word in *prosciutto* and *parmigiano*), Modena (aged balsamic vinegar) and Bologna, the capital, whose pasta sauce needs no explanation! Delicious *salumi* are made here too - *mortadella*, *zampone*, *coppa* and *pancetta*. As for pasta...

Regions of Italy

Abruzzo e Molise
Basilicata
Calabria
Campania
Emilia-Romagna
Friuli-Venezia Giulia
Lazio
Liguria
Lombardia
Marche
Piemonte
Puglia
Sardegna
Sicilia
Toscana
Trentino Alto Adige
Umbria
Valle d'Aosta
Veneto



Puglia

On the 'boot' of the Italian peninsula, Puglia runs from the spur to the heel. This is a land of rich red earth, ancient olive groves and unspoilt coastlines. Puglia's sunny plains produce a prodigious harvest of vegetables, fruit and grains such as the hard durum wheat used to make pasta. Mediterranean simplicity is at the heart of Pugliese cooking. The fruity full-flavoured olive oil marries well with the strong tastes of *peperoncino* chilli, charred artichokes, sun-baked tomatoes and fresh seafood.

PIEMONTE

This region takes its name from its geographical location – literally 'the foot of the mountain'. Surrounded on three sides by the Alps, it's no surprise that many of the local recipes make the most of life at cool high altitudes – creamy *risotti*, pasta with black or white truffles, cakes rich with hazelnuts, peaches or cherries steeped in alcohol. Many of Piemonte's vineyards are DOC and the Piemontesi claim *grissini* as their own, as well as the founding of the 'Slow Food' movement.



*grattugia
griglia
padella
scodella
colapasta
colabrodo
tagliere
tortiera
spatola
pentola
frusta
frullino
matterello
mortaio
colino
spiedino*

Caponata

Serves 4 as a starter

3 medium-sized aubergines
cooking oil – about half a litre
1 small Spanish onion
2 sticks of celery
75ml light olive oil for cooking
70g tomato puree (concentrate)
15g capers in vinegar
70g Rustica or similar black olives, pitted
25g pine nuts, toasted
85g caster sugar
90ml white wine vinegar
salt and black pepper

This unusual vegetarian antipasto hails from Sicily where the culinary influences include Arabic and North African, hence the sweet-sour complexity and richness of flavour. Serve with fresh *focaccia* or *ciabatta* and a glass of Nero D'Avola Mandrarossa – produced using one of Sicily's indigenous grape varieties.

Cut the aubergines into 1-inch cubes and fry in small batches until very brown on all sides, but not burnt. Drain in a colander for 1-2 hours.

Finely dice the onion and celery. Heat the olive oil in a pan, sauté the onion and celery until golden, then stir in the tomato puree, capers and olives. Remove from the heat and transfer to a large bowl. Stir in the toasted pine nuts.

Pour the caster sugar into a saucepan and stir over heat until the sugar begins to caramelize – look for the first golden foam. Slowly add the vinegar, taking care to avoid spattering. Stir until all the caramel is dissolved.

Mix this sweet-and-sour syrup into the onion and tomato mixture. With a big wooden spoon, gently fold in the fried aubergine. Season with salt and freshly ground pepper.

Place in an airtight container and allow to cool for at least 2 hours before serving. Caponata improves as the flavours become infused, so it's even better the next day.

Risotto ai Funghi

Serves 4

25g dried porcini

350g fresh mushrooms:

150g button, 110g oyster white and 90g shiitake

1.5 litres vegetable stock – or Carluccio's porcini stock

1 small onion, finely chopped

1 garlic clove, bruised

2 tbs olive oil

30g (2 tbs) butter

1 tbsp fresh flat-leaved parsley

1 generous glass of white wine

350g Carnaroli or other risotto rice

salt and freshly ground black pepper

a dab of butter

60g freshly grated Parmigiano Reggiano cheese

This *risotto* is popular throughout Northern Italy, where the recipe often starts off with a mushroom hunt. You can be adventurous too – try different seasonal funghi – or follow this classic recipe. Verdicchio “*Casal di Serra*” from Umani Ronchi in The Marche is the ideal wine for this dish.

Soak the dried porcini in water for 15 minutes. Clean and slice the fresh mushrooms. Cut the porcini into small pieces.

In a small saucepan, heat the stock and keep it simmering.

In a heavy pot with a round-edged base, sauté the onion and garlic in oil and butter till golden. Remove the garlic. Add the fresh mushrooms, then the porcini and the parsley. Sauté for a few minutes. Add the wine, stir, and simmer until it is reduced.

Add the raw rice and stir with a wooden spoon. When the rice is evenly coated with oil and almost ready to stick, add a ladleful of hot stock. Stir. For the next 20 or so minutes, keep stirring and keep adding enough hot stock to wet the rice, but not drown it.

When the *risotto* is al dente, take it off the heat and allow it to settle. Just before serving, stir in the extra butter and Parmesan. After this mantecare process, season to taste and serve. Don't forget to pour yourself another glass of Verdicchio!

Penne alla Luganica

Serves 4

400g Luganica sausage
2 small red onions
45ml (3 tbs) olive oil
2-3 tbs fresh very finely chopped rosemary
2-3 bay leaves
2g dried red chillies, finely chopped
800-900g plum tomato fillets
salt and ground black pepper to taste
400g small penne
100ml (8 tbs) double cream
160g Parmigiano Reggiano cheese

Ancient Latin texts refer to the region of Lucania – modern-day Basilicata and Campania. Today Luganica is usually from Lombardia, Trento or Veneto. It's a fresh pork sausage which is sweet, long, thin and coiled. If your Italian deli/butcher doesn't stock it, ask for a plain pork sausage without fennel, strong spices, rusk or bread content. Try this hearty pasta dish with a glass of red Barbera *'Briccotondo'* from Fontanafredda.

Put on a pot of water to boil.

Remove the sausage casing and crumble the meat into a bowl.

Finely chop the onions and brown them in a pan with hot olive oil. Add the meat, rosemary, bay leaves and chillies. (The secret here is how finely you chop the rosemary – its flavour should infuse the sauce.) Cook for 5-10 minutes.

Drain and roughly chop the tomatoes, keeping a little juice for later. Add the tomatoes to the pan and bring the sauce to the boil. Cook for 5-10 minutes. Check for taste and season with salt and pepper.

Boil the pasta until it's al dente. Drain.

Stir the cream and a little tomato juice into the sauce, and add half the grated cheese. Mix through the cooked pasta and serve with freshly ground black pepper and more grated cheese.



*sapori
sapienza
servizio
delizia
discorso
concorso
fama
famiglia
sorpresa
impresa
amore
amici
piacere
passione
bellezza
freschezza*

Relazione del Consiglio d'Amministrazione

Directors' Report

The directors present their report with the financial statements of the Company for the 52 week period ended 23 September 2007.

Review of the business

The principal activities of the Company in the period under review were those of operating Italian caffè and foodshops and retailing fine Italian foods.

The Company continued the expansion of its caffè and food shops, opening six further Carluccio's in The Brunswick, London WC1 (October 2006); Spitalfields, London E1 (December 2006); The Trafford Centre, Manchester (March 2007); Walton, Surrey (May 2007); a concession in Bentalls, Kingston upon Thames (June 2007) and a flagship store in Covent Garden, London WC2 (August 2007). Following the landlord's decision to redevelop the site, the retail only shop in Neal Street closed in December 2006.

The Company announced, in its pre-close trading update, the securing of three sites: Stratford-upon-Avon (opened in October 2007); Spinningfields in Central Manchester (opened in November 2007) and Leicester (opening in the 2009 financial year). In addition to these sites, the Company has recently exchanged contracts on a site in Cambridge and already announced two further sites: Heathrow Terminal 5 (opening in March 2008) and Bristol (opening in the 2009 financial year).

Since the year end, the Company has granted a franchise for the territory of Ireland (including Northern Ireland). The agreement lasts for 20 years and is for an initial 5 Carluccio's with the possibility of a further extension at the end of the initial term. In addition, an option deed forms part of the franchise, granting Carluccio's a call option and the franchisee a put option. Both are exercisable after 7 years.

Resolution 5 of the notice of Annual General Meeting is an ordinary resolution to declare a final dividend of 1.6p per ordinary share (2006: 1.5p). An interim dividend of 0.6p per share (2006: nil) was paid to shareholders on 26 June 2007. The proposed final dividend is recommended by the directors and will be paid on 8 February 2008 to all shareholders on the register as at the close of business on 11 January 2008, subject to obtaining the necessary shareholder approval. Upon payment, the total dividend for the year will be 2.2p (2006: 1.5p) per ordinary share or £1,254,000 (2006: £852,000).

The profit for the period after taxation was £3,847,000 (2006: £2,380,000), an increase of 62%.

A more detailed review of the business is contained in the Chairman's Statement on pages 5 to 7.

Directors

The names of the current directors are stated on page 29. They served throughout the period unless otherwise stated, and their beneficial interests in the share capital were as follows:

Name	Ordinary 5p 23 September 2007	Ordinary 5p 24 September 2006
Stephen Gee	2,500,000	2,500,000
Simon Kossoff	2,579,990	2,579,990
Frank Bandura	130,600	130,600
David Bernstein	50,000	50,000
Peter Webber	1,852,800	1,852,800

Scott Svenson, a non-executive director, has a beneficial interest in the Company arising by virtue of his 45% (2006: 48%) interest in The Sienna Group. The Sienna Group holds 1.5 million shares (2006: 5.2 million) in the Company.

The following options were held by directors at the period end:

Approved scheme (Enterprise Management Incentive Scheme)

Director	Date Granted	Number Out- standing 24/09/06	Number Granted	Number Exercised	Number Out- standing 23/09/07	Exercise Price (Pence)	Date Exercisable From	Expiry Date
Stephen Gee	09/12/05	105,810	-	-	105,810	95	09/12/08	09/12/15
Simon Kossoff	14/12/05	105,810	-	-	105,810	95	14/12/08	14/12/15
Frank Bandura	09/12/02	17,500	-	-	17,500	16	09/12/05	09/12/12
	28/11/03	100,000	-	-	100,000	20	28/11/06	28/11/13
	19/02/04	100,000	-	-	100,000	31	19/02/07	19/02/14
	21/01/05	100,000	-	-	100,000	40	21/01/08	21/01/15
	22/07/05	17,250	-	-	17,250	65	22/07/08	22/07/15
	14/12/05	53,885	-	-	53,885	95	14/12/08	14/12/15
		388,635	-	-	388,635			
Total approved		600,255	-	-	600,255			

Unapproved scheme

Director	Date Granted	Number Out-standing 24/09/06	Number Granted	Number Exercised	Number Out-standing 23/09/07	Exercise Price (Pence)	Date Exercisable From	Expiry Date
Stephen Gee	09/12/05	694,190	-	-	694,190	95	09/12/08	09/12/15
Simon Kossoff	28/11/03	200,000	-	-	200,000	20	28/11/06	28/11/13
	19/02/04	200,000	-	-	200,000	31	19/02/07	19/02/14
	09/12/05	694,190	-	-	694,190	95	09/12/08	09/12/15
	15/12/06	-	200,000	-	200,000	165	15/12/09	15/12/16
		1,094,190	200,000	-	1,294,190			
Frank Bandura	22/07/05	22,750	-	-	22,750	65	22/07/08	22/07/15
	14/12/05	746,115	-	-	746,115	95	14/12/08	14/12/15
	15/12/06	-	143,000	-	143,000	165	15/12/09	15/12/16
		768,865	143,000	-	911,865			
Total unapproved		2,557,245	343,000	-	2,900,245			

Directors' share options granted in the current and prior year are capable of vesting only upon the achievement of certain performance criteria relating to the growth of Company profits after tax over a three year period.

The market price of the Company's shares at the end of the financial year was 188p. The market price during the year ranged from 159p to 231p.

Directors' remuneration

	Basic Salary/Fees £'000	Performance Related Bonus £'000	Benefits in Kind £'000	Pension £'000	Total 23 September 2007 £'000	Total 24 September 2006 £'000
Stephen Gee	55	-	-	-	55	77
Simon Kossoff	160	96	27	16	299	260
Frank Bandura	105	58	4	10	177	155
David Bernstein*	32	-	-	-	32	25
Antonio M G Carluccio**	-	-	-	-	-	10
Priscilla M Carluccio**	-	-	-	-	-	10
Scott Svenson	25	-	-	-	25	26
Peter Webber	32	-	-	-	32	28
Total	409	154	31	26	620	591

* 2006 total represents salary and fees from 1 December 2005, the date of appointment.

**2006 total represents salary and fees for the period 26 September 2005 to 17 November 2005.

Benefits in kind represent car and fuel benefit, medical, permanent health and life insurance.

No share options were exercised by directors during the year (2006: 1,472,590) and consequently no net gains were realised (2006: £1,222,064).

No executive director has a notice period in excess of 12 months and no non-executive director has a notice period in excess of 6 months. All directors offer themselves for re-election by rotation at least once during a 3 year period at the Company's Annual General Meeting.

Substantial interests

At 23 September 2007, the Company had been notified of the following interests of 3% or more in the issued ordinary share capital of the Company:

Holder	Number of Shares	Percentage of Issued Share Capital
Fidelity International Limited	8,542,992	15.0%
Innes Limited	5,580,000	9.8%
Aviva Plc	3,441,446	6.0%
BlackRock Inc.	3,414,730	6.0%
Lehman (International) Europe	3,139,361	5.5%
S Kossoff	2,579,990	4.5%
S Gee	2,500,000	4.4%
A Chisholm	2,106,620	3.7%
Standard Life	1,967,123	3.5%
F Bolwell	1,950,000	3.4%
P Webber	1,852,800	3.3%

There are 56,978,285 ordinary 5p shares currently in issue. The Company holds no shares in Treasury and therefore the total number of voting rights is 56,978,285. The directors hold or control 8,613,390 shares or 15.1% of the share capital, leaving 48,364,895 shares or 84.9% of the share capital in public hands. There are no shares in issue that have restrictions attached to them.

Details of directors' shareholdings are contained on Page 22.

Employees

Carluccio's employees are encouraged to participate in and contribute to the success of the Company through incentive and share option schemes. Where reasonable and practicable within existing legislation, all persons and employees that have become disabled have been treated in the same way in matters relating to employment, training, career development and promotion.

Corporate governance

Carluccio's recognises the importance of good corporate governance and has adopted the principles enshrined in the FRC Combined Code as far as possible, taking into account the Company's stage of development and the fact that these principles are not mandatory.

Board meetings

The Board consists of 3 executive directors and 3 non-executive directors. The Board meets at least 10 times a year to discuss the Company's performance, potential sites and other operating issues. Materials are circulated in advance of each Board meeting. In addition the Board formally meets at least once a year to discuss the strategic direction of the Company. Each Board member offers himself for re-election every three years at the Company's Annual General Meeting. Directors' biographies appear on Page 29.

Audit committee

The audit committee has formal terms of reference and consists of 2 non-executive directors: David Bernstein (Chairman) and Scott Svenson. The committee meets independently of the main Board at least 3 times a year. The Company's external auditors are invited to attend each meeting. They also have direct access to the members of the audit committee for independent discussions. No executive director is a member of the committee but may be invited to attend meetings. The audit committee reviews and considers the financial statements of the Company including the accounting policies used to produce those statements. In addition, the Committee reviews the scope and results of the audit, its cost effectiveness and the auditors' remuneration, the independence and objectivity of the auditors and is involved in the production of the interim and annual reports.

Remuneration committee

The remuneration committee has formal terms of reference and consists of 2 non-executive directors: David Bernstein (Chairman) and Peter Webber. The committee meets independently of the Board of Directors twice a year. The committee has a full remit to review, determine and recommend to the Board all aspects of executive Directors' remuneration and share option grants. The committee also considers and advises on senior management awards.

Shareholder relations

The Directors meet with shareholders during the course of the year. Shareholders are encouraged to participate in the Annual General Meeting. The next Annual General Meeting will be held on 31 January 2008. In addition the Company issues a trading update three times a year: before the commencement of its close period prior to publishing its results and after its AGM. The Board are kept informed of any feedback from shareholders and receive analysts' reports as they become available.

AIM rule 26

During the year, the London Stock Exchange revised its AIM rules for Companies. In accordance with the requirements of Rule 26, the Company has included more information on its website to assist investors. This includes, inter alia, the Articles of Association, the Memorandum of Association, the Financial Statements and certain other information on Directors and Advisors. The page can be found at www.carluccios.com under Company Information/Aim Rule 26.

Internal audit

The Company has a well established internal audit function provided by an independent third party, supported by Carluccio's finance function. Successfully passing an internal audit is one of the criteria used to determine a store manager's bonus.

Supplier payment policy

The Company pays its creditors in accordance with the specific trade terms agreed. The creditor payment period for 2007 was 33 days (2006: 31 days).

International financial reporting standards (IFRS)

The Board is reviewing the Company's transition to IFRS by the end of its 2008 financial year.

Financial instruments

Details of the use of financial instruments by the Company are contained in note 27 to the financial statements.

Political and charitable contributions

During the period, the Company donated £13,000 (2006: nil) to Action Against Hunger, a registered charity that fights hunger and malnutrition worldwide.

Indemnity cover

Third party indemnity cover was in force for the directors during the financial year.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

Directors' responsibilities continued

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have signified their willingness to continue in office.

Going concern

After making reasonable enquiries, the Board consider that the Company has adequate resources and facilities to continue in operational existence for the foreseeable future and therefore the financial statements contained herein are prepared on a going concern basis.

By order of the Board

Frank Bandura

Secretary

3 December 2007

Profilo dei Consiglieri

Directors Biographies

Stephen Gee (Chairman) – aged 63. 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. The Company listed on the London Stock Exchange in 1994 and was taken over in 1996. In 1997 he joined with Priscilla and Antonio Carluccio to start the Carluccio's caffè and foodshop business. He is non-executive chairman of Gaucho Grill Holdings Limited and a non-executive director of Hansteen Holdings PLC.

Simon Kossoff (Managing Director) – aged 47. Simon is an economics graduate of York University and a postgraduate of Manchester Polytechnic. He worked for Pizza Express 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 41. Frank is a chartered accountant having qualified with KPMG, London. He joined PepsiCo International in 1992 as Finance Manager for Pizza Hut based in Warsaw, Poland. After returning to London in 1994 he spent the next 4 years working in various financial planning and analysis roles for PepsiCo. Following a brief stint working for Barilla (UK) Limited, Frank joined Carluccio's as Finance Director in September 1999.

David Bernstein (Non-Executive) – aged 64. David has extensive experience in the retail and leisure industries and is currently Chairman of Blacks Leisure Group Plc, The Sports & Leisure Group Limited and Frank Thomas (Group) Limited and a non-executive director of Ted Baker Plc and Wembley National Stadium Limited. He was previously Joint Managing Director of Pentland Group Plc, Chairman of Manchester City Plc and non-executive Chairman of French Connection Group.

Scott Svenson (Non-Executive) – aged 41. 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.

Peter Webber (Non-Executive) – aged 68. 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 foodshop business. He now acts as a consultant to many international hotel and leisure organisations and is a director of several companies.

Relazione della Società di Revisione

Report of the Independent Auditors to the Shareholders of Carluccio's PLC

We have audited the financial statements of Carluccio's plc for the 52 week period ended 23 September 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, Chairman's Statement and the Directors' Biographies. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 23 September 2007 and of its profit for the 52 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 3 December 2007

Conto Economico

Profit and Loss Account and Statement of Total Recognised Gains and Losses

For the period ended 23 September 2007

Profit and loss account

	Note	2007 £'000	2006 £'000 (restated)
Turnover	2	53,979	45,759
Cost of sales		(42,685)	(36,810)
Gross Profit		11,294	8,949
Exceptional flotation expenses	3	-	(939)
Other administrative expenses		(6,101)	(4,849)
Administrative expenses		(6,101)	(5,788)
Operating profit before exceptional flotation expenses		5,193	4,100
Operating Profit	4	5,193	3,161
Net interest receivable	5	74	21
Profit on Ordinary Activities Before Taxation		5,267	3,182
Tax on profit on ordinary activities	6	(1,420)	(802)
Profit on Ordinary Activities after Taxation		3,847	2,380
Basic earnings per share (pence)	7	6.8	4.2
Diluted earnings per share (pence)	7	6.5	4.1

The Company's turnover and expenses all relate to continuing operations.

Statement of total recognised gains and losses

Total recognised gains and losses for the year as above		3,847	2,380
Prior year adjustment	8	(176)	
Total recognised gains and losses since the last financial statements		3,671	

The notes on pages 35 to 51 form part of these financial statements.

Stato Patrimoniales

Balance Sheet

As at 23 September 2007

	Note	2007 £'000	2006 £'000 (restated)
Fixed assets			
Intangible assets	12	20	22
Tangible assets	13	20,071	16,010
		20,091	16,032
Current assets			
Stocks	14	1,381	1,223
Debtors	15	1,925	1,643
Cash at Bank		3,145	2,642
		6,451	5,508
Creditors: amounts falling due within one year	16	(10,551)	(8,715)
Net current liabilities		(4,100)	(3,207)
Total assets less current liabilities		15,991	12,825
Provisions for liabilities	17	(1,433)	(1,290)
		14,558	11,535
Capital and reserves			
Called up share capital	18	2,849	2,840
Share premium account	19	1,713	1,684
Profit and loss account	19	9,996	7,011
Shareholders' funds	20	14,558	11,535

The notes on pages 35 to 51 form part of these financial statements.

Approved by the Board and authorised for issue on 3 December 2007 and signed on their behalf by

Stephen Gee
Frank Bandura
Directors

Rendiconto Finanziario

Cash Flow Statement

For the period ended 23 September 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	21	8,002	5,720
Returns on investments and servicing of finance			
Interest paid		(26)	(18)
Interest received		100	39
		74	21
Taxation		(806)	(687)
Capital expenditure			
Payments to acquire tangible fixed assets		(5,610)	(4,738)
Payments to acquire intangible fixed assets		(1)	(1)
Receipts from sale of tangible fixed assets		-	41
		(5,611)	(4,698)
Dividend paid		(1,194)	-
Cash inflow before use of liquid resources and financing		465	356
Management of liquid resources			
Short term deposits		(281)	(1,250)
Financing			
Issue of share capital		38	248
		38	248
Increase/(decrease) in cash		222	(646)
Reconciliation of net cash flow to movement in net funds			
Increase /(decrease) in cash in the period		222	(646)
Cash outflow from changes in liquid resources		281	1,250
Change in net funds		503	604
Net funds at 24 September 2006		2,642	2,038
Net funds at 23 September 2007	22	3,145	2,642

The notes on pages 35 to 51 form part of these financial statements.

Note Esplicative

Notes to the Financial Statements

For the period ended 23 September 2007

1 Accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards.

(b) Turnover

Turnover represents net invoiced sales of goods, excluding value added tax. Turnover is recognised at the point of providing the goods and services.

(c) Depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

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.

(d) 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.

(e) Stocks

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

(f) 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 that rate is used.

(g) 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.

(h) Leases

Operating leases

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

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

1 Accounting policies continued

(i) Pensions

Contributions payable to employees' 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.

(j) 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.

(k) 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.

(l) Share options

In preparing these financial statements, the Company has adopted, in full, the provisions of Financial Reporting Standard 20 "Share-based payments" (FRS 20). This standard requires that the cost of equity-settled transactions with employees is measured by reference to their fair value at the date at which they are granted and then recognised over the vesting period. As a result of the adoption of FRS 20, there is an additional charge of £332,000 (2006: £225,000) together with a related deferred tax credit of £93,000 (2006: £66,000). In addition, the profit and loss reserve brought forward and total shareholders' funds were increased by £72,000 due to the cumulative deferred tax credit arising on the FRS 20 charge. The Company has taken advantage of the exemptions under FRS 20 and has therefore applied this policy only to awards granted after 7 November 2002 that had not vested by 24 September 2006.

(m) Hedging

The Company uses forward foreign exchange contracts to hedge its exposure to exchange rate fluctuations. This exposure arises from importing products from Italy. The gain or loss in relation to the forward foreign exchange contracts is recognised in the profit and loss account when the contracts are settled.

(n) Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits with a maturity of less than 3 months.

2. Turnover

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 flotation expenses

These relate solely to costs incurred in preparing the Company for listing on the Alternative Investment Market of the London Stock Exchange in December 2005. No flotation expenses were incurred in the 52 weeks ended 23 September 2007.

4. Operating profit

The operating profit is stated after charging/(crediting):

	2007 £'000	2006 £'000
Hire of other assets - operating leases	4,329	3,510
Share based payment charge	332	225
Amortisation of intangibles	3	3
Depreciation - owned assets	1,533	1,236
Pre-opening expenses	1,204	878
Loss/(profit) on the sale of fixed assets	16	(6)

Amounts payable to BDO Stoy Hayward LLP in respect of both audit and non-audit services:

	2007 £'000	2006 £'000
Audit services		
- statutory audit of accounts	50	44
Services relating to corporate finance transactions		
- reporting accountant on flotation	-	61
Tax Services		
- taxation compliance	21	9
- VAT	11	-
- other tax advisory	9	-
Other Services		
- share capital advice	2	15
- review of interim announcements	7	7
Total	100	136

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

5. Net interest receivable

	2007 £'000	2006 £'000
Other interest payable and similar charges	(26)	(18)
Interest receivable and similar income	100	39
Net interest receivable	74	21

6. Tax on profit on ordinary activities

	2007 £'000	2006 £'000 (restated)
(a) Analysis of charge for the period		
Current tax:		
UK corporation tax on profits of the period	1,333	514
Adjustment in respect of prior years	(56)	(60)
Current tax charge for period (see (b) on following page)	1,277	454
Deferred tax:		
Origination and reversal of timing differences	143	348
Tax on profit on ordinary activities	1,420	802

(b) Factors affecting tax charge for the period

The tax charge for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2007 £'000	2006 £'000 (restated)
Profit on ordinary activities before tax	5,267	3,182
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	1,580	955
Effects of:		
Expenses not deductible for tax purposes	211	462
Relief on exercise of share options	(86)	(524)
Capital allowances in excess of depreciation	(387)	(348)
Other timing differences	15	(31)
Adjustment to prior year tax charge	(56)	(60)
Current tax charge for period (see (a) on previous page)	1,277	454

7. Earnings per ordinary share (EPS)

	2007 £'000	2006 £'000 (restated)
Numerator		
Profit for the year (basic earnings per share)	3,847	2,380
Exceptional expenses	-	939
Share based payment charge net of deferred tax credit	239	159
Corporation tax credit on exercise of share options	(86)	(524)
Impact on deferred tax from reducing the corporation tax rate to 28% from 30%	(88)	-
Adjusted profit for the year (adjusted earnings per share)	3,912	2,954

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

7. Earnings per ordinary share (EPS) continued

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

- a) Exceptional expenses relate entirely to the cost of listing the Company on the Alternative Investment Market in December 2005 and are considered non-recurring and have therefore been added back. No exceptional expenses were incurred in the current financial year.
- b) Similarly added back are the amounts for FRS 20 "Share-based payments", adopted for the first time in this financial year. This is an accounting adjustment only and as such neither reflects a cash expense nor a liability that will result in the transfer of cash in the future.
- c) The Company received a corporation tax credit on the exercise of share options by employees, the majority of which occurred on flotation. The impact on the prior year is significant and the credit in excess of that recognised on a deferred tax asset has been deducted to enable a clearer comparison over time.
- d) Due to the change in the corporation tax rate on 1 April 2008 from 30% to 28%, the deferred tax balance brought forward has been reduced. The impact of this adjustment has been adjusted as it may not re-occur in the future.

Denominator	2007 Number ('000)	2006 Number ('000)
Weighted average number of ordinary shares (Basic EPS)	56,924	56,300
Impact of dilutive share options	2,271	1,761
Diluted number of ordinary shares (Diluted EPS)	59,195	58,061

The weighted average number of ordinary shares is adjusted to take into account the dilutive impact of share option awards made to employees.

	2007 Pence	2006 Pence (restated)
Basic earnings per share	6.8	4.2
Diluted earnings per share	6.5	4.1
Adjusted basic earnings per share	6.9	5.2
Adjusted diluted earnings per share	6.6	5.1

8. Prior year adjustment

As a result of the adoption of FRS 20 "Share-based payments", there is a cumulative prior year adjustment to the profit and loss account of £248,000. The related cumulative prior year deferred tax credit is £72,000 giving a net cumulative prior year adjustment to the profit and loss account of £176,000. Due to the fact that the FRS 20 charge is credited back to reserves, the profit and loss reserve brought forward and total shareholders' funds were increased by the prior year deferred tax credit of £72,000 only.

9. Dividend

The Directors are recommending the payment of a final dividend of 1.6p per ordinary 5p share (2006: 1.5p), subject to obtaining shareholder approval at the forthcoming Annual General Meeting (AGM) to be held on 31 January 2008. The dividend will be paid on 8 February 2008 to all shareholders on the register as at 11 January 2008. The amount of the final dividend is £912,000 (2006: £852,000). An interim dividend of £342,000 (2006: nil) or 0.6p per ordinary 5p share (2006: nil) was paid during the year. Therefore the total dividend for the year is 2.2p per ordinary 5p share (2006: 1.5p), equivalent to £1,254,000 (2006: £852,000).

In accordance with Financial Reporting Standard 21, the final dividend is not provided for in the 2007 financial statements.

10. Staff costs

	2007 £'000	2006 £'000
Wages and salaries	16,617	13,820
Social security costs	1,313	1,371
Other pension costs	26	23
	17,956	15,214

The average number of persons, including executive directors, employed by the Company during the period was:

	2007 Number	2006 Number
Administration	40	37
Caffè and foodshops	1,117	956
	1,157	993

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

11. Directors

	2007 £'000	2006 £'000
Remuneration		
Emoluments	594	568
Gain on exercise of share options	-	1,222
Contributions to money purchase pension schemes	26	23
	620	1,813

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

Emoluments	283	246
Gain on exercise of share options	-	820
Contributions to money purchase pension schemes	16	14
	299	1,080

During the period, 2 directors (2006: 2) accrued benefits under money purchase pension schemes and no directors (2006: 2) exercised share options.

Further details of directors' remuneration and share options are given in the Director's Report on pages 21 to 28.

12. Intangible fixed assets

	Trademarks £'000
Cost	
At 24 September 2006	32
Additions	1
At 23 September 2007	33
Amortisation	
At 24 September 2006	10
Charge for the period	3
At 23 September 2007	13
Net Book Values	
At 23 September 2007	20
At 24 September 2006	22

13. Tangible fixed assets

	Short term leasehold property £'000	Leasehold Improvements £'000	Furniture, fixtures and computer equipment £'000	Assets in the course of construction £'000	Total £'000
Cost					
As at 24 September 2006	2,853	11,490	5,294	381	20,018
Additions	299	3,350	1,587	374	5,610
Reclassification	72	243	66	(381)	-
Disposals	(18)	(100)	(81)	-	(199)
As at 23 September 2007	3,206	14,983	6,866	374	25,429
Depreciation					
As at 24 September 2006	361	1,561	2,086	-	4,008
Charge for period	142	602	789	-	1,533
Elimination on disposal	(18)	(99)	(66)	-	(183)
As at 23 September 2007	485	2,064	2,809	-	5,358
Net Book Values					
As at 23 September 2007	2,721	12,919	4,057	374	20,071
As at 24 September 2006	2,492	9,929	3,208	381	16,010

14. Stocks

	2007 £'000	2006 £'000
Materials	313	244
Finished goods and goods for resale	1,068	979
	1,381	1,223

There is no material difference between the replacement cost of the stocks and the amounts stated above.

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

15. Debtors: Amounts falling due within year one

	2007 £'000	2006 £'000
Trade debtors	262	156
Other debtors	186	267
Prepayments and accrued income	1,477	1,220
	1,925	1,643

16. Creditors: Amounts falling due within year one

	2007 £'000	2006 £'000
Trade creditors	3,803	3,117
Corporation tax	649	178
Taxation and social security	1,535	1,416
Accruals and deferred income	4,564	4,004
	10,551	8,715

17. Provision for deferred tax

	2007 £'000	2006 £'000 (restated)
Accelerated capital allowances	1,627	1,395
Deferred tax credit on share based payment charge	(165)	(72)
Other timing differences	(29)	(33)
Provision for deferred tax	1,433	1,290
Provision at the start of the period	1,290	942
Deferred tax credit relating to share based payment charge	(93)	(66)
Impact of change in corporation tax rate to 28%	(88)	-
Other deferred tax charge in profit and loss account for the period	324	414
Provision at the end of the period	1,433	1,290

There is no unprovided deferred tax.

18. Share capital
(a) Share capital

	Authorised			
	2007 Number (‘000)	2006 Number (‘000)	2007 £’000	2006 £’000
Ordinary shares of 5p each	150,000	150,000	7,500	7,500
	150,000	150,000	7,500	7,500

	Allotted, called up and fully paid			
	2007 Number (‘000)	2006 Number (‘000)	2007 £’000	2006 £’000
Ordinary shares of 5p each	56,978	56,798	2,849	2,840
	56,978	56,798	2,849	2,840

(b) Share based payments

The Company operates two share option schemes: the first is an Inland Revenue approved scheme that operates under the Enterprise Management Incentive rules and the second is an unapproved scheme.

The Company did not enter into share based payment transactions with parties other than employees.

During the year, the Company allotted 180,000 ordinary 5p shares (2006: 2,163,215) following the exercise of options. The weighted average exercise price was 22 pence (2006: 12 pence) with the total consideration being £38,750 (2006: £247,843). The weighted average share price during the period of exercise was 181 pence (2006: 95 pence).

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

18. Share capital continued

Approved share option scheme

Date Granted	Number Out-standing 24/09/06	Number Granted	Number Exercised	Number Lapsed	Number Out-standing 23/09/07	Exercise Price (Pence)	Date Exercisable From	Expiry Date
11/10/01	14,375	-	-	-	14,375	10	11/10/04	11/10/11
09/12/02	62,500	-	-	-	62,500	16	09/12/05	09/12/12
28/11/03	450,000	-	155,000	-	295,000	20	28/11/06	28/11/13
19/02/04	350,000	-	25,000	-	325,000	31	19/02/07	19/02/14
21/01/05	245,000	-	-	5,000	240,000	40	21/01/08	21/01/15
22/07/05	252,250	-	-	10,000	242,250	65	22/07/08	22/07/15
09/12/05	558,300	-	-	34,000	524,300	95	09/12/08	09/12/15
14/12/05	159,695	-	-	-	159,695	95	14/12/08	14/12/15
15/12/06	-	266,579	-	19,500	247,079	165	15/12/09	15/12/16
Total	2,092,120	266,579	180,000	68,500	2,110,199			

Exercise prices for share options granted under the approved share option scheme range from 10 pence to 165 pence (2006: 10 pence to 95 pence). The remaining weighted average contractual life of the options is 7 years (2006: 7.7 years).

Unapproved share option scheme

Date Granted	Number Out-standing 24/09/06	Number Granted	Number Exercised	Number Lapsed	Number Out-standing 23/09/07	Exercise Price (Pence)	Date Exercisable From	Expiry Date
28/11/03	200,000	-	-	-	200,000	20	28/11/06	28/11/13
19/02/04	200,000	-	-	-	200,000	31	19/02/07	19/02/14
22/07/05	22,750	-	-	-	22,750	65	22/07/08	22/07/15
09/12/05	1,463,890	-	-	-	1,463,890	95	09/12/08	09/12/15
14/12/05	746,115	-	-	-	746,115	95	14/12/08	14/12/15
15/12/06	-	467,921	-	-	467,921	165	15/12/09	15/12/16
Total	2,632,755	467,921	-	-	3,100,676			

Exercise prices for share options granted under the unapproved scheme range from 20 pence to 165 pence (2006: 20 pence to 95 pence). The remaining weighted average contractual life of the options is 7.7 years (2006: 8.4 years).

The weighted average exercise prices for share options granted under all Company share option schemes are as follows:

	2007 weighted average exercise price (pence)	2007 Number	2006 weighted average exercise price (pence)	2006 Number
Outstanding at the beginning of the year	71	4,724,875	22	4,260,090
Granted during the year	165	734,500	95	2,984,000
Lapsed during the year	106	68,500	42	356,000
Exercised during the year	22	180,000	12	2,163,215
Outstanding at the end of the year	86	5,210,875	71	4,724,875
Exercisable at the end of the year	25	1,096,875	15	76,875

All share options vest over a three year time frame subject to employees remaining with the Company and the satisfaction of any performance criteria.

Details of directors' share options are contained on pages 22 and 23 of the Directors' Report. Directors' share options granted in the current and prior year are capable of vesting only upon the achievement of certain performance criteria relating to the growth of Company profits after tax over a three year period.

In determining the fair value of options granted, the Company has used a binomial model. The significant assumptions made in respect of the grants made in 2006 and 2007 are listed below:

	2007	2006
Weighted average share price at grant date (pence)	165	95
Exercise price (pence)	165	95
Weighted average contractual life (years)	7.9	8.7
Expected volatility (%)	21	33
Expected dividend yield (%)	0	0
Risk free interest rate (%)	4.9	4.3
Weighted average fair value of options granted (£'000)	234	797
Vesting period (years)	3	3

The expected volatility is measured by considering the share price volatility of the Company's shares since flotation as well as comparative quoted companies.

Where a performance condition has been attached to the exercise of share options, the directors' have estimated the likelihood of achievement.

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

19. Reserves

	Share premium account £'000	Profit and loss account £'000 (restated)	Total £'000 (restated)
At the beginning of the year as previously stated	1,684	6,939	8,623
Prior year deferred tax credit on share based payment charge	-	72	72
Restated balance at 24 September 2006	1,684	7,011	8,695
Retained profit for the period	-	3,847	3,847
Premium on exercise of options	29	-	29
Share based payment charge credited to reserves	-	332	332
Dividend paid	-	(1,194)	(1,194)
At 23 September 2007	1,713	9,996	11,709

20. Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000 (restated)
Profit for the financial year	3,847	2,380
Dividends paid	(1,194)	-
Issue of shares	38	248
Share based payment charge credited to reserves	332	225
Net additions to shareholders' funds	3,023	2,853
Opening shareholders' funds as previously stated	11,463	8,676
Prior year deferred tax credit on share based payment charge	72	6
Opening shareholders' funds as restated	11,535	8,682
Closing shareholders' funds	14,558	11,535

21. Reconciliation of operating profit to net cash inflow from operating activities

	2007 £'000	2006 £'000 (restated)
Operating profit	5,193	3,161
Depreciation charges	1,533	1,236
Amortisation of trade marks	3	3
Share based payment charge	332	225
Increase in stocks	(158)	(283)
Increase in debtors	(282)	(245)
Increase in creditors	1,365	1,629
Elimination of loss/(profit) on disposal	16	(6)
Net cash inflow from operating activities	8,002	5,720

22. Analysis of changes in net funds

	At 24 September 2006 £'000	Cash flows £'000	At 23 September 2007 £'000
Cash at bank and in hand	1,392	222	1,614
Other liquid resources	1,250	281	1,531
Total	2,642	503	3,145

23. Capital commitments

	2007 £'000	2006 £'000
Capital commitments contracted but not provided for in the financial statements:	2,017	224

Unprovided capital commitments relate to the construction costs of sites scheduled to open in 2008.

Note Explicative / Notes to the Financial Statements continued

For the period ended 23 September 2007

24. Annual commitments under operating leases

At 23 September 2007 the Company was committed to making the following payments under non-cancellable operating leases in the period to 28 September 2008.

Land and buildings	2007 £'000	2006 £'000
Operating leases which expire:		
Within 1 year	12	38
Within 2 to 5 years	47	-
After 5 years	4,615	3,865
	4,674	3,903

25. Other financial commitments

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

	2007 £'000	2006 £'000
Total contract value	-	125

The contracts were exercised within 6 months of the balance sheet date.

26. Pensions

The Company makes contributions to personal pension plans of directors. The total amount paid during the period was £26,000 (2006: £23,000).

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.

27. Financial instruments

In the directors' opinion, there is no material difference between the book value and the current value of any of the Company's financial instruments either at the current or previous period end.

Short term debtors and creditors are not treated as financial assets or financial liabilities for FRS 13 disclosure purposes.

Operations are financed primarily from a mixture of retained earnings and cash flow from operating activities.

Currency risk

All of the Company's revenues are denominated in Sterling and the overwhelming majority of its costs are also denominated in Sterling. The Company sources its packaged products from Italy and so is exposed to fluctuations in the Euro/Sterling exchange rate. This risk is managed by entering into forward foreign exchange contracts to purchase Euros at a fixed exchange rate in the future. Currency contracts are for varying periods but typically do not extend beyond three months into the future.

Credit risk

The Company's principal financial assets are cash and trade debtors. There is minimal credit risk associated with the Company's cash balances. Cash balances are all held with recognised financial institutions. Trade debtors form an insignificant part of the Company's business model and therefore the credit risk associated with them is also insignificant to the Company as a whole.

Liquidity risk

The Company seeks to manage its financial risk to ensure that sufficient liquidity is available to meet foreseeable needs both in the short and long term.

Surplus funds are invested in short term high interest deposit accounts. At period end the amount held in deposit accounts was £1.53m (2006: £1.25m). The weighted average interest rate of the short term deposits utilised was 5.8% and the funds can be withdrawn with a 7 day notice period.

Interest rate risk

The Company had no borrowing facilities at 23 September 2007 that had been drawn down (2006: nil). Interest rate risk is therefore minimal and arises only on short term borrowings via the Company's overdraft facility. The Company seeks to minimise the interest rate cost of these borrowings by regularly reviewing cash balances.

The Company has undrawn committed borrowing facilities available at 23 September 2007 of £2m (2006: £2m) which expire within one year and a £1m (2006: £1m) overdraft facility repayable on demand.

28. Post balance sheet event

On 6 October 2007, the Company granted a franchise for the territory of Ireland (including Northern Ireland). The agreement lasts for 20 years and is for an initial 5 Carluccio's with the possibility of a further extension at the end of the initial term. In addition, an option deed forms part of the franchise, granting Carluccio's a call option and the franchisee a put option. Both are exercisable after 7 years.

Annual General Meeting

CARLUCCIO'S PLC

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 02001576)

Directors:

S Gee (Chairman)
S Kossoff
F Bandura
S Svenson
P Webber
D Bernstein

Registered office:

35 Rose Street
Covent Garden
London
WC2E 9EB

20 December 2007

Dear Shareholder,

Annual general meeting

I am pleased to announce that the Company's 2008 Annual General Meeting will be held at Carluccio's, Covent Garden, Garrick Street, London WC2E at 9.00am on 31st January 2008. Set out at the end of this letter is a notice convening the Annual General Meeting.

At the Annual General Meeting, resolutions 1 to 5 will be proposed as ordinary business. Under resolution 1, it is proposed to receive and adopt the Directors' report and financial statements for the 52 weeks ended 23 September 2007.

Under resolutions 2 and 3, it is proposed to re-appoint David Bernstein and Scott Svenson as directors of the Company as they will each retire by rotation. Under resolution 4, it is proposed to re-appoint BDO Stoy Hayward LLP as the Company's auditors and authorise the Board to fix their remuneration.

Resolution 5 seeks approval for the payment of a final dividend of 1.6 pence per ordinary share, as recommended by the Directors.

At the Annual General Meeting, resolutions 6, 7 and 8 will be proposed as special business. Under resolution 6, it is proposed to grant the directors authority to allot unissued shares in the capital of the Company up to a nominal amount of £950,000, which represents approximately one-third of the issued share capital of the Company as at the date of this letter.

Resolution 7 seeks to renew, in accordance with section 89 of the Companies Act 1985, the directors' authority to allot further shares for cash, without first offering them to existing shareholders under the statutory pre-emption procedure. This authority is limited to the issue of equity securities in connection with rights issues, open offers or similar issues and otherwise up to a nominal amount of £142,000 representing approximately 5% of the Company's issued share capital as at the date of this letter.

It is not the directors' present intention to allot any ordinary shares except to satisfy share options that may be exercised under the Company's share option schemes.

Resolution 8 seeks to grant, in accordance with section 166 of the Companies Act 1985, an authority on the Company to make market purchases of shares for up to 8,519,743 ordinary shares, representing approximately 15 per cent. of the Company's issued share capital. The Board considers this a mechanism to return cash to shareholders and reduce surplus liquidity in the Company's shares. The Board intends only to exercise the authority conferred by resolution 8 if to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

The authorities contained in resolutions 6, 7 and 8 will expire at the conclusion of the Annual General Meeting to be held in 2009 or 15 months after the passing of such resolutions (whichever is the earlier).

Details of how shareholders will be able to vote by proxy at the forthcoming Annual General Meeting are included in the notes to the notice of Annual General Meeting on page 55 and on the proxy form.

Stephen Gee
Chairman

Notice of Annual General Meeting

CARLUCCIO'S PLC (the "Company") 2001576

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Carluccio's, Covent Garden, Garrick Street, London WC2E at 9.00am on 31 January 2008 to consider and, if thought fit, pass the following resolutions: resolutions 1 to 5 (inclusive) as ordinary resolutions and resolutions 6, 7 and 8 as special resolutions.

Ordinary resolutions

1. To receive and adopt the Directors' report and financial statements for the 52 weeks ended 23 September 2007.
2. To re-elect Scott Svenson who retires by rotation as director of the Company.
3. To re-elect David Bernstein who retires by rotation as a director of the Company.
4. To re-appoint BDO Stoy Hayward LLP as auditors in accordance with Section 384 of the Companies Act 1985 to hold office until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.
5. To pay a final dividend, on the recommendation of the Directors, of 1.6 pence per ordinary share to all shareholders on the register at 11 January 2008.

Special resolutions

6. In substitution for any existing authority subsisting at the date of this resolution, the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in Section 80(2) of the Companies Act 1985 (as amended)) up to an aggregate nominal amount of £950,000, such authority to expire on the earlier of the date 15 months after the passing of this resolution and the conclusion of the Annual General Meeting to be held in 2009, and at any time thereafter pursuant to any offer, agreement or other arrangement made by the Company before the expiry of this power.
7. Subject to and conditional upon the passing of resolution 6, the directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985 (as amended) (the "Act"), to allot equity securities (as defined in section 94(2) of the Act) in the period ending on the date 15 months after the passing of this resolution or, if earlier, the conclusion of the Annual General Meeting of the Company to be held in 2009 and at any time thereafter pursuant to any offer, agreement or other arrangements made by the Company before the expiry of this power:
 - (A) in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities (as so defined) in proportion as nearly as may be to their respective holdings of such securities or in accordance with the rights attaching thereto (but with such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or as regards shares held by an approved depository or an issue in uncertificated form or otherwise);
 - (B) otherwise than pursuant to (A) above, up to an aggregate nominal value of £142,000.
8. The Company be and is generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 (as amended) (the "Act") to make one or more market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 5 pence each in the capital of the Company ("Ordinary Shares") provided that:
 - (A) the maximum aggregate number of Ordinary Shares authorised to be purchased is 8,519,743 (representing 15 per cent. of the Company's issued ordinary share capital);
 - (B) the minimum price which may be paid for such shares is 5 pence per share;
 - (C) the maximum price which may be paid for an Ordinary Share shall not be more than 5 per cent. above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(D) unless previously renewed, varied or revoked, the authority conferred above shall expire on the date 15 months after the passing of this resolution or, if earlier, the conclusion of the Annual General Meeting of the Company to be held in 2009; and

(E) the Company may make a contract or contracts to purchase Ordinary Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

By order of the Board

Carluccio's PLC
35 Rose Street
Covent Garden
London
WC2E 9EB

Frank Bandura
Secretary

Dated: 20 December 2007

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote instead of him at the meeting. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice. A member may only appoint a proxy using the procedure set out in these notes and in the notes to the form of proxy.
- (2) The form of proxy, and the power or attorney or other authority (if any) under which it is signed or an office or notarially certified copy of it, should be lodged with the Company's registrars, Capita Registrars, P.O. Box 25, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time fixed for the meeting.
- (3) A member may appoint more than one proxy provided that each proxy is entitled to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact the Company's registrars at the address in note (2) above.
- (4) Completing and returning a form of proxy will not prevent the member from attending at the meeting and voting should he/she so wish.
- (5) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members as at 9.00am on 29 January 2008 shall be entitled to attend or vote at the above general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that date will be disregarded in determining the rights of the person to attend or vote at the meeting.
- (6) Copies of the directors' service contracts and letters of appointment with the Company and register of directors' interests in the share capital of the Company are available at the registered office of the Company for inspection during usual business hours on a weekday from the date of this notice until the date of the meeting and at the meeting until the conclusion of the meeting.

Informazioni Sulla Società

Company Information

Directors:	Stephen Gee (Chairman) Simon Kossoff (Managing Director) Frank Bandura (Finance 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
Nominated advisor:	Close Brothers Corporate Finance Ltd. 10 Crown Place London EC2A 4FT
Broker:	Altium Capital Ltd. 30 St. James Street, London SW1Y 4AL
Solicitor:	Jones Day 21 Tudor Street London EC4Y 0DJ
Auditors:	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Registrars:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
Financial public relations:	Hogarth Partnership No 1 London Bridge London SE1 9BG

Sedi

Locations

Central London

The Brunswick
Canary Wharf
Covent Garden
Bond Street, Fenwick
Market Place
Smithfield
South Kensington
Spitalfields
St. Christopher's Place

Greater London

Brent Cross, Fenwick
Chiswick
Ealing
Fulham Road
Hampstead
Islington
Notting Hill
Putney
St John's Wood

Berkshire

Reading
Windsor

Hertfordshire

St. Albans

Kent

Bluewater
Tunbridge Wells

Manchester

Spinningfields
Trafford Centre

Oxfordshire

Bicester
Oxford

Surrey

Bentalls, Kingston
Charter Quay, Kingston
Esher
Richmond
Walton-on-Thames

East Sussex

Brighton

Warwickshire

Stratford-upon-Avon

Designed by Irving. Words by Elise Valmorbidia.

Line illustrations by Julian Roberts. Garrick Street and Italia map illustration by Lucia Gaggiotti. Caffè photographs by Richard Leeney. Mushroom photograph by Alastair Hendy.







Carluccio's

35 Rose Street, Covent Garden, London WC2E 9EB

www.carluccios.com