

Carluccio's

RELAZIONE ANNUALE E CONTI 2006

ANNUAL REPORT & ACCOUNTS 2006

Indicatori Finanziari

FINANCIAL HIGHLIGHTS

24%

2006 TURNOVER £45.8m
(2005: £36.8m)

£4.3_m

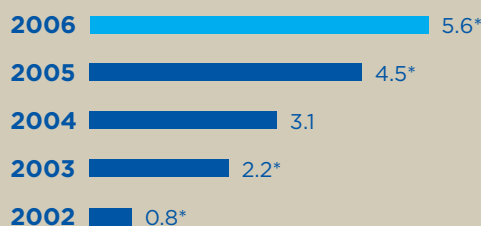
ADJUSTED PROFIT BEFORE
TAX +25%

(before exceptional float expenses)

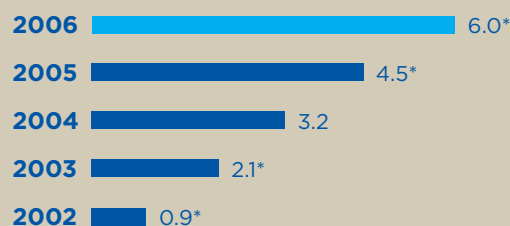
64%

AVERAGE CASH RETURN
ON CASH INVESTED

ADJUSTED EBITDA (£m)



ADJUSTED DILUTED EPS (Pence)



FIVE YEAR HIGHLIGHTS

	2002	2003	2004	2005	2006
NUMBER OF STORES OPEN	10	13	17	22	27
TURNOVER (£m)	12.7	19.8	27.8	36.8	45.8
PROFIT BEFORE TAX (£m)	0.4*	1.6*	2.3	3.5*	4.3*
CASH FLOW FROM OPERATING ACTIVITIES (£m)	2.1*	2.1*	4.7	5.9*	6.7*

* Adjusted for exceptional (income)/expense

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We are a business that believes in innovation based on strong operational systems. Since our brand is about people – both customers and our employees – we believe in good communication, training and information. We value people, we aim to listen, respond and stimulate.

Our training programmes are very important to us, as is supporting our managers, area managers and chefs.

We expose everyone as far as possible to the real Italy, through courses, visits and of course through Antonio's advice and help.

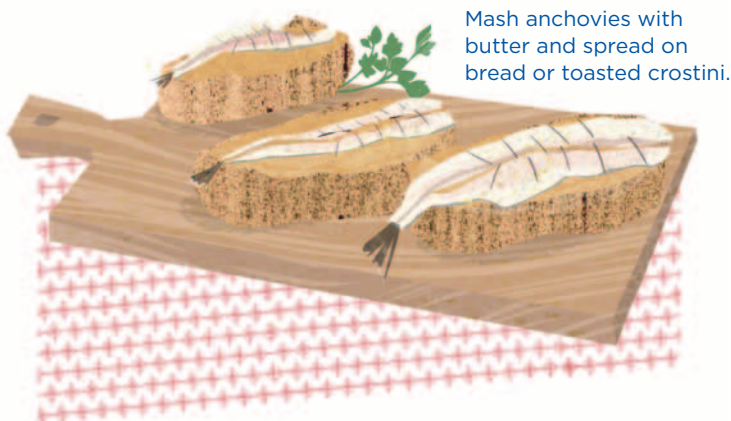
When we opened our first Italian food shop in 1991 in Covent Garden bringing the finest quality regional Italian food to London, only a few products were sold and the labels were hand-written with care. Today, that same care is taken and we have created caffès with food shops to be able to invite our customers to eat and shop in a happy, bustling environment.

Carluccio's



FILETTI DI ACCIUGHE ANCHOVY FILLETS

We searched and searched for excellent anchovies and finally found them in Sicily. The fish themselves are caught off the Moroccan coast, with the salting and curing process carried out lovingly, and by hand, in Cefalu on the Northern coast of Sicily. The whole fish are salted for three months before three rinses in brine. They are then filleted by hand, dried and packed into jars.



Mash anchovies with butter and spread on bread or toasted crostini.



RISO CARNAROLI

CARNAROLI RICE

We visited the rice fields of Alessandria where the Alpine water flows in abundance, flooding the rice fields as needed. Of the many types of rice grown and eaten in Italy, Vialone Nano, a semi-fine rice, and Carnaroli a super-fine rice producing a creamier risotto, were chosen for the larder. Both of these release their starch gradually and remain al dente when fully cooked, perfect for a rich risotto with some bite. The rice is packed in printed cotton bags, a contemporary take on the traditional sacks.



The secret to a good, creamy risotto is to use a grain which releases starch slowly throughout the cooking process, but remains al dente when cooked. Never add cream to a risotto, the rice starch, supplemented with butter and parmesan is all you need.



OUR NEW MENU

Our recipes are created by Antonio, working in the kitchen with the Chefs and Junior Chefs. Often a new dish is created during these cooking sessions: the ingredients have to be great; the cooking simple and the dish genuine Italian. The enthusiasm from everyone involved in creating the menu and striving to get it right is still felt in the kitchen, as it was when we started.



AFFOGATO

This “dish” is so simple that it’s rarely included in recipe books. Its beauty relies on using the very finest ingredients – real Italian vanilla ice cream and strong aromatic espresso coffee. Traditional Italian ice cream like Carluccio’s is made rich with good quality milk and cream, and is not aerated to make it go further, as mass produced ice cream often is.



We have worked with our coffee supplier in Piacenza for over twelve years, developing our current two blends which are unique to us. We use the typical Napoli blend for Affogato as its character is rich and strong.

BARISTA

We believe in developing people to the very best of their ability. Our approach is to help everyone to acquire an exceptional knowledge of Italy and Italian food. In a traditional Italian caffè, the bar, and especially the person who makes the coffee, forms the heart of the business.

We like to think that our Baristas give our caffès character, with their cheerful attitude, their taming of the steaming

Gaggia and by creating the rich coffee aromas. The Barista’s job of making genuine Italian coffee requires great skill and an understanding of pressure and heat.

We run a Barista competition each year, open to all employees. Everyone learns the skills needed to make a range of traditional Italian coffees and the winner receives a trip to our coffee supplier in Italy. Our coffee is presented in Italian size cups, the strength and complexity of the blends means that larger cups would be completely overwhelming.

CAFFÈ DESIGN



Firstly we like to craft the design of each caffè. We study the architecture of the site, its surroundings and the local customers. According to the shape and location of the site, we compose the basic layout of the deli, the caffè, bar, kitchen and facilities. This is honed during the process and sometimes changes quite radically. It is important that food dominates the site and that customers pass through the deli coming and going to the caffè. We then choose colours and materials and produce a mood board which we refer to throughout the design process. Innovation is important to us so each site will use some new materials, new colour combinations and sometimes new display furniture.

We believe that each caffè “belongs” to the customers and in the end it is they who produce the bustle, the energy and the success of the site; we just have to set the scene.

A MODERN LOCATION

READING

Our site in Reading is in a new office building, lots of glass and shiny steel and a wonderful green lawn in front: it is all about space. There was the opportunity to put in a very high frontage and so we made this entirely of glass, with a huge “Carluccio’s” in white, high up on the window. Inside there is a warm wood floor but as befits such a contemporary space, the ventilation ducts are exposed zinc, the walls clean, white and shiny. There is a glazed wall with an opening so that customers can see our chefs at work.



A TRADITIONAL LOCATION

RICHMOND

Our Richmond caffè is in a small, busy street. We have surrounded the outside seating with herbs and olive trees in zinc planters. There is lots of light inside, a huge front window, mirrors and a roof light. The chairs and banquettes are in blue and pale grey giving a sophisticated, calm feel. The feeling that the river is close by is brought into the caffè with the use of old, blue tinged photographs of Italian fishing boats.

The overall feel is warm, cosy and local, ideal for people who live nearby and visit regularly.



“Antonio Carluccio’s empire of informal, drop-in-café-cum-delis continues to garner praise at every front.”

SQUARE MEAL

“This bright, cheerful chain is always a pleasure to visit, whether for a decent coffee with breakfast or some antipasti, a bowl of pasta or something more substantial at lunch or dinner. The food is always fresh and attractive, the staff helpful and the atmosphere conducive to chatter and enjoyment.”

EVENING STANDARD

“The ethos here has always been to offer the best of Italy at extremely good prices, so whether you’re popping in for breakfast, a quick snack, lunch or supper, you can be assured of the best possible quality at extremely great value.”

THE LONDON GUIDE

“It may be a chain, but Carluccio’s caffès are a godsend for people who like eating out with their children but don’t like junk food.”

THE OBSERVER MAGAZINE

“It’s places like this that make home kitchens redundant. Reasonably priced antipasti, lovely starch in the form of breads, pastas and arancini rice balls.”

THE INDEPENDENT MAGAZINE

“All I want for Christmas is a box of Carluccio’s Clemente in Camica....these juicy candied clementine segments covered in thick dark chocolate from Calabria are yummissimo – eat your heart out.”

COUNTRY LIVING

“I had a Carluccio’s picnic the other day, delivered in a jazzy box and containing untold delights – it was blinding.”

THE OBSERVER FOOD MONTHLY

“Carluccio’s Panettone Tradizionale...“blindingly good”...fluffy, full of flavour, “fabulous” (and) comes in a stunning box.”

INDEPENDENT ON SUNDAY

WINNER

2006 AIM AWARDS: BEST NEWCOMER

“The winner of this award would quite simply be a strong contender for company of the year were it not due to the lack of a public company track record. Arriving on AIM between 1 August 2005 and 31 July 2006 the winner will already have caught the imagination of investors.”

(The AIM Awards Dinner 2006)

We continue to make industry leading cash returns on cash invested which on average exceed 60%

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

We now have 28 stores all of which are profitable and we have assembled a management team capable of building and running a business which is substantially larger than it is today.

TRADING RESULTS

I am pleased that in our first year as a quoted company, our performance exceeded Market expectations.

Our turnover for the year ended 24 September 2006 was £45.8m (2005: £36.8m), an increase of 24%. Profit before tax was £3.4m (2005: £3.2m), after charging £0.9m (2005: £0.2m) of non-recurring costs in obtaining a listing on AIM in December 2005. Adjusting for the impact of these flotation costs, all of which have been treated as exceptional

expenses, profit before tax was £4.3m (2005: £3.5m), an increase of 25%. Similarly, adjusted EBITDA, increased by 24% to £5.6m (2005: £4.5m). Adjusted diluted earnings per share was 6.0p (2005: 4.5p), an increase of 33% which in part reflects a lower than normal, effective adjusted tax rate of 20% (2005: 29%).

Our margins have remained steady despite substantial cost pressures in the form of higher utility and business rates. Our ability to generate industry leading cash returns on cash invested, currently averaging in excess of 60% has not only allowed us to finance our IPO costs and our opening commitment of five new stores this financial year from internally generated cash flows but also means that we are in a position to pay a dividend in our first year as a public company. The directors are therefore recommending the payment of a dividend of 1.5p per share.

The five new stores opened included two, Oxford and Brighton, which demonstrate our strategy of broadening our geographic base and our belief that Carluccio's has the potential to become a nationwide brand. Nine locations, comprising a third of our store portfolio, are now outside London.

AIM

The first anniversary of our admission to AIM falls on 14 December 2006. Our flotation price was 94.5p per share and I am pleased to report that on Friday 1 December our share price was 167.5p per share, an increase of 77%. The continued success of the Company since its IPO was recently recognised when we were voted Best Newcomer at the annual AIM Awards.

Flotation has not altered our focus on ensuring that our customers' experience of Carluccio's is first class. We do

RELAZIONE DEL PRESIDENTE
CHAIRMAN'S STATEMENT (continued)



* before exceptional float expenses

this by concentrating on five key areas:

- being determined to attract only the best quality management and staff throughout our business;
- continuing our opening programme at a measured pace;
- investing significantly in pre and post opening training;
- purchasing the best quality ingredients; and
- providing excellent value for money

I believe this strategy has led to the Company's success to date and I remain confident that it will continue to do so.

This success continues to be reflected by press comments. The Observer Magazine said: "It may be a chain but Carluccio's caffès are a godsend for people who like eating out with their children but don't like junk food". The quality of our retail offering was recognised when

Carluccio's was recently included in The Grocer's Top 10 Worlds Finest Specialist Food Retailers.

DEVELOPMENT

The restaurant industry is often divided into different sectors for purposes of analysis: Carluccio's is considered to fall into the casual dining category. We continue to believe that our business is unique in that it is able to offer more than other casual dining groups due to its combination of an all day trading pattern and the presence of a food shop in every store. There are, however, similarities with other operators in this category in terms of, inter alia, average customer spend and casual surroundings. According to Euromonitor, this will be the fastest growing sector of the eating out market over the next few years. We are well placed to benefit from this anticipated increase in people eating out both in our existing restaurants and through our new openings programme.

We have also been working on developing our internet capabilities to ensure that we are well positioned to benefit from the growing number of people who wish to order packaged food via the Internet. Although the level of sales before exceptional float expenses achieved through www.carluccios.com is relatively small, we are encouraged by its performance to date, particularly as we approach Christmas. Carluccios.com should benefit from the widely forecast increase in transactions using the Internet in 2007.

The new store opening programme has continued since the year end with the opening at The Brunswick Centre in Bloomsbury in October where we were again immediately cash positive. In our pre-close trading update, we announced a second site in Walton-on-Thames and I am pleased to announce three further sites secured. These are

We have secured the necessary sites to achieve our five store minimum opening target in the 2007 financial year

in Spitalfields near Liverpool Street Station, The Trafford Centre, Manchester and Covent Garden, London. All of these sites will open in the 2007 financial year which means we have secured the necessary sites to achieve our five store minimum opening target in this financial year.

This level of openings can be financed without resort to borrowings which means we are fully cushioned against the impact of any further increase in interest rates.

MANAGEMENT AND STAFF

Our success over the last seven years has only been possible because of in-depth, quality, management and enthusiastic, hard working staff. We have assembled a management team under Simon Kossoff, our Managing Director, of which the shareholders can be justifiably proud. During the financial year, we invested £400,000 in caffè, non-recurring, pre-opening training

costs. We run 28 different ongoing training courses which include our unique Chef School.

CURRENT TRADING

Trading since 24 September has been ahead of the previous year and in line with the Board's expectations. Sales in our caffès outside normal meal times together with our food shop sales continue to represent in the region of 50% of turnover and as a result we make industry leading cash returns on cash invested which on average exceed 60%. These factors make Carluccio's a unique business and should ensure that we continue to make excellent returns for our shareholders. I look forward to reporting continuing progress during the course of 2007.

RAPPORTO DEI DIRETTORI

DIRECTORS' REPORT

The directors present their report with the financial statements of the company for the 52 week period ended 24 September 2006.

REVIEW OF THE BUSINESS

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

The Company continued the expansion of its caffè and food shops, opening further Carluccios' in Westbourne Grove (October 2005), Oxford (November 2005), Brighton (February 2006), Chiswick (May 2006) and Richmond (August 2006). In addition, following the end of the financial year, the Company opened its 28th location in October 2006 at The Brunswick, London WC2. Further sites have been secured in Walton on Thames, Spitalfields near Liverpool Street Station, The Trafford Centre, Manchester and Covent Garden, London.

On 14 December 2005, the Company successfully listed on the Alternative Investment Market of the London Stock Exchange. All costs associated with the flotation have been treated as exceptional costs.

Resolution 5 of the notice of Annual General Meeting is an ordinary resolution to declare a final dividend of 1.5p per ordinary share. The proposed final dividend is recommended by the directors and will be paid on 9 February 2007 to all shareholders on the register as at the close of business on 29 December 2006, subject to obtaining the necessary shareholder approval.

The profit for the period after taxation was £2,539,000 (2005: £2,222,000). Excluding exceptional costs the profit after taxation was £3,478,000 (2005: £2,458,000).

A more detailed review of the business is contained in the Chairman's Statement on pages 10 to 12.

DIRECTORS

The names of the current directors are stated on page 40. They served throughout the period unless otherwise stated, and their beneficial interests in the share capital were as follows:

Name	Ordinary 5p 24 September 2006	Ordinary 5p 25 September 2005 (as restated)
Stephen Gee	2,500,000	3,627,800(B)
Simon Kossoff	2,579,990	4,029,980(B)
Simon Kossoff	-	539,910(D)
Frank Bandura	130,600	125,000(B)
David Bernstein (appointed 01/12/05)	50,000	-
Peter Webber	1,852,800	3,315,300(B)

David Bernstein held 50,000 ordinary shares at date of appointment.

Scott Svenson has a beneficial interest in the Company arising by virtue of his 48% interest in The Sienna Group. The Sienna Group holds 5.2 million shares in the Company. Prior to flotation, the Company had four share classes designated A, B, C and D, all ranking *pari passu*. On 5 December

RAPPORTO DEI DIRETTORI
DIRECTORS' REPORT (continued)

2005, these were consolidated into a single class as well as subdivided into 10 5p ordinary shares for each 50p share held. The 2005 comparative share numbers have been restated to show the change in nominal value. Letters refer to the class of share previously held.

Antonio Carluccio and Priscilla Carluccio resigned as directors with effect from 17 November 2005.

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

Approved Scheme (Enterprise Management Incentive (EMI) Scheme)

Director	Date Granted	Number Out-standing 25/09/05	Number Granted	Number Exercised	Number Out-standing 24/09/06	Exercise Price (Pence)	Date Exercisable From	Expiry Date
Stephen Gee	09/12/05	-	105,810	-	105,810	94.5	09/12/08	09/12/15
Total Approved		-	105,810	-	105,810			
Simon Kossoff	09/02/01	720,000	-	(720,000)	-	10.1	09/02/04	09/02/11
	09/12/02	270,090	-	(270,090)	-	16	09/12/05	09/12/12
	14/12/05	-	105,810	-	105,810	94.5	14/12/08	14/12/15
Total Approved		990,090	105,810	(990,090)	105,810			
Frank Bandura	09/02/01	400,000	-	(400,000)	-	10.1	09/02/04	09/02/11
	09/12/02	100,000	-	(82,500)	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	94.5	14/12/08	14/12/15
Total Approved		817,250	53,885	(482,500)	388,635			

Unapproved Scheme

Director	Date Granted	Number Out-standing 25/09/05	Number Granted	Number Exercised	Number Out-standing 24/09/06	Exercise Price (Pence)	Date Exercisable From	Expiry Date
Stephen Gee	09/12/05	-	694,190	-	694,190	94.5	09/12/08	09/12/15
Total Unapproved		-	694,190	-	694,190			
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	94.5	09/12/08	09/12/15
Total Unapproved		400,000	694,190	-	1,094,190			
Frank Bandura	22/07/05	22,750	-	-	22,750	65	22/07/08	22/07/15
	14/12/05	-	746,115	-	746,115	94.5	14/12/08	14/12/15
Total Unapproved		22,750	746,115	-	768,865			

On flotation two directors exercised share options. Simon Kossoff exercised a total of 990,090 share options on 14 December 2005. The market price was 94.5p per share and he realised a net

RAPPORTO DEI DIRETTORI
DIRECTORS' REPORT (continued)

gain of £819,701. Frank Bandura exercised a total of 482,500 share options on 14 December 2005. The market price was 94.5p per share and he realised a net gain of £402,363.

Directors' share options granted in the year are capable of vesting only upon the achievement of certain performance criteria over a 3 year period. The performance criteria require Company profit after tax in 2008 to have grown by 79% over 2005 profit after tax.

The market price of the Company's shares at the end of the financial year was 163p. The range of the market price during the year was from 94.5p on flotation to 170p.

DIRECTORS' REMUNERATION

	Basic Salary/ Fees £'000	Perfor- mance Related Bonus £'000	Benefits in Kind £'000	Pension £'000	Total 24 Sept- ember 2006 £'000	Total 25 Sept- ember 2005 £'000
Stephen Gee	52	25	-	-	77	35
Simon Kossoff	143	80	23	14	260	203
Frank Bandura	92	51	3	9	155	115
David Bernstein*	25	-	-	-	25	-
Antonio M G Carluccio**	6	-	4	-	10	52
Priscilla M Carluccio**	9	-	1	-	10	101
Scott Svenson	26	-	-	-	26	18
Peter Webber	28	-	-	-	28	18
Total	381	156	31	23	591	542

* Represents salary and fees from 1 December 2005, the date of appointment.

**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.

Stephen Gee received £25,000 for advice and consultancy in floating the Company, included within the figures above.

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. Frank Bandura and Peter Webber were re-elected at the Company's AGM in January 2006. Simon Kossoff and Stephen Gee are retiring by rotation and are offering themselves for re-election at the next AGM to be held on 30 January 2007.

RAPPORTO DEI DIRETTORI
DIRECTORS' REPORT (continued)

SUBSTANTIAL INTERESTS

At 24 September 2006, the Company had been notified of the following interests of 3% or more (excluding directors) in the issued ordinary share capital of the Company:

Holder	Number of Shares	Percentage of Issued Share Capital
The Sienna Group	5,200,000	9.2%
Fidelity International Limited	4,802,100	8.5%
Lehman Brothers (International) Europe	4,042,741	7.1%
F. Bolwell	3,000,000	5.3%
Ennismore Fund Management	2,572,750	4.5%
Aviva Plc	2,498,800	4.4%
A. Chisholm	2,106,620	3.7%

Details of directors' shareholdings are contained on Page 13.

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 for AIM listed companies.

Board Committees

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 19.

Audit Committee

The audit committee has formal terms of reference and consists of 2 non-executive directors: David Bernstein and Scott Svenson. David Bernstein chairs the committee. 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

RAPPORTO DEI DIRETTORI
DIRECTORS' REPORT (continued)

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 and Peter Webber. David Bernstein chairs the committee. 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 30 January 2007. In addition the Company issues a trading update twice a year before the commencement of its close period prior to publishing its results. The Board are kept informed of any feedback from shareholders and receive analysts' reports as they become available.

Internal Audit

The Company has a well established internal audit function provided by an independent 3rd 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 2006 was 31 days (2005: 35 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 26 to the financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company made no political or charitable contributions.

INDEMNITY COVER

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

RAPPORTO DEI DIRETTORI
DIRECTORS' REPORT (continued)

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;
- 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.

AUDITORS

The directors who were in office at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors have not been apprised. The directors' have confirmed that they have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

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.

On behalf of the Board

Frank Bandura
SECRETARY
4 December 2006

DIRETTORI DIRECTORS

Stephen Gee (Chairman) – aged 62. 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 food shop 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 46. Simon is an economics graduate of York University and a post graduate 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 40. 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 63. 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 40. 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 67. Peter was for many years a director of Grand Metropolitan following which he created and developed the Harvester and Dome chains for The Imperial Group where he was a Managing Director. From 1986 to 1997 he was Managing Director of My Kinda Town during which time it grew from 5 to 57 restaurants and bars. In 1997 he joined with Priscilla and Antonio Carluccio to start the Carluccio's caffè and food shop business. He now acts as a consultant to many international hotel and leisure organisation and is a director of several companies.

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 24 September 2006 which comprise the profit and loss account, 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 and the Chairman's Statement. 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.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF CARLUCCIO'S PLC (continued)**

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 24 September 2006 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

4 December 2006

CONTO PROFITTI E PERDITE

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 24 SEPTEMBER 2006

	Note	2006 £'000	2005 £'000
TURNOVER	2	45,759	36,844
Cost of sales		(36,810)	(29,367)
GROSS PROFIT		8,949	7,477
Exceptional flotation expenses	3	(939)	(236)
Other administrative expenses		(4,624)	(3,977)
Administrative expenses		(5,563)	(4,213)
Operating Profit before Exceptional flotation expenses		4,325	3,500
OPERATING PROFIT	4	3,386	3,264
Net interest receivable/(payable)	5	21	(20)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,407	3,244
Tax on profit on ordinary activities	6	(868)	(1,022)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,539	2,222
Basic Earnings Per Share (Pence)	7	4.5	4.2
Diluted Earnings Per Share (Pence)	7	4.4	4.0

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

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

The notes on pages 25 to 39 form part of these financial statements.

BILANCIO

BALANCE SHEET

AS AT 24 SEPTEMBER 2006

	Notes	2006 £'000	2005 £'000
FIXED ASSETS			
Intangible assets	11	22	24
Tangible assets	12	16,010	12,543
		16,032	12,567
CURRENT ASSETS			
Stocks	13	1,223	940
Debtors	14	1,643	1,398
Cash at Bank		2,642	2,038
		5,508	4,376
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(8,715)	(7,319)
NET CURRENT LIABILITIES		(3,207)	(2,943)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,825	9,624
PROVISIONS	16	(1,362)	(948)
		11,463	8,676
CAPITAL AND RESERVES			
Called up share capital	17	2,840	2,732
Share premium account	18	1,684	1,544
Profit and loss account	18	6,939	4,400
SHAREHOLDERS' FUNDS	19	11,463	8,676

The notes on pages 25 to 39 form part of these financial statements

Approved by the board and authorised for issue on 4 December 2006 and signed on their behalf by

Stephen Gee
Frank Bandura
Directors

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 24 SEPTEMBER 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow from operating activities	20	5,720	5,663
Returns on investments and servicing of finance			
Interest paid		(18)	(58)
Interest received		39	38
		21	(20)
Taxation		(687)	(897)
Capital expenditure			
Payments to acquire tangible fixed assets		(4,738)	(3,779)
Payments to acquire intangible fixed assets		(1)	(5)
Receipts from sale of tangible fixed assets		41	11
		(4,698)	(3,773)
Dividend Paid		-	(316)
Cash inflow before use of liquid resources and financing		356	657
Management of Liquid resources		(1,250)	-
Financing			
Issue of share capital		248	212
Capital element of finance lease repaid		-	(171)
		248	41
(Decrease)/Increase in cash		(646)	698
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/Increase in cash in the period		(646)	698
Cash outflows from movement in debt		-	171
Cash outflow from changes in liquid resources		1,250	-
Change in net funds		604	869
Net funds at 25 September 2005		2,038	1,169
Net funds at 24 September 2006	21	2,642	2,038

The notes on pages 25 to 39 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006

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.

In preparing these financial statements, the Company has adopted for the first time, FRS 21, "Events after The Balance Sheet Date", the presentation requirements of FRS 25 "Financial Instruments: Disclosure and Presentation", and FRS 28 "Corresponding Amounts". There has been no effect on the prior year figures from adopting these financial reporting standards. Had FRS 21 not been adopted, the current year reserves would have been reduced by £852,000 as a result of recognising the final dividend proposed for the 2006 year.

(b) Turnover

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

1. ACCOUNTING POLICIES (continued)

(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 this 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

Finance Leases

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

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

Operating Leases

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

1. ACCOUNTING POLICIES (continued)

(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

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

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

(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.

(n) Liquid Resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits and investments with a maturity of less than one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

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 solely relate to costs incurred in preparing the Company for listing on the Alternative Investment Market of the London Stock Exchange.

4. OPERATING PROFIT

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

	2006	2005
	£'000	£'000
Hire of other assets - operating leases	3,510	2,966
Amortisation of intangibles	3	3
Depreciation - owned assets	1,236	920
Depreciation - leased assets	-	53
Pre-Opening Expenses	878	837
Auditors' remuneration - audit work	44	20
Auditors' remuneration - non audit work	92	145
Profit on the sale of fixed assets	(6)	(9)

5. NET INTEREST RECEIVABLE/(PAYABLE)

	2006	2005
	£'000	£'000
Other interest payable and similar charges	(18)	(33)
Finance lease charges	-	(25)
Interest payable	(18)	(58)
Interest receivable and similar income	39	38
Net interest receivable/(payable)	21	(20)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£'000	£'000
(a) Analysis of charge for the period		
Current tax:		
UK corporation tax on profits of the period	514	780
Adjustment in respect of prior years	(60)	-
Current tax charge for period (see (b) below)	454	780
Deferred Tax:		
Adjustment in respect of prior year	25	16
Origination and reversal of timing differences	389	226
Total deferred tax	414	242
Tax on profit on ordinary activities	868	1,022

(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:

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	3,407	3,244
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	1,022	973
Effects of:		
Expenses not deductible for tax purposes	395	188
Relief on Share Options (2005: Ratchet Shares)	(524)	(139)
Capital allowances in excess of depreciation	(348)	(247)
Other timing differences	(31)	5
Adjustment to prior year tax charge	(60)	-
Current tax charge for period (see (a) above)	454	780

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

7. EARNINGS PER ORDINARY SHARE (EPS)

	2006	2005
	£'000	£'000
Numerator		
Profit for the Year	2,539	2,222
Exceptional Expenses	939	236
Adjusted Profit for the Year	3,478	2,458

In calculating adjusted earnings per share, profit for the year has been adjusted for exceptional expenses. These relate entirely to the cost of listing the Company on the Alternative Investment Market in December 2005. These are considered non-recurring and are therefore adjusted to enable a clearer view of Company performance.

	Number	Number
	('000)	('000)
Denominator		
Weighted Average Number of Ordinary Shares (Basic EPS)	56,300	52,409
Impact of Dilutive Share Options	1,960	2,613
Diluted Number of Ordinary Shares (Diluted EPS)	58,260	55,022

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

	2006	2005
	Pence	Pence
Basic Earnings per Share	4.5	4.2
Diluted Earnings per Share	4.4	4.0
Adjusted Basic Earnings per Share	6.2	4.7
Adjusted Diluted Earnings per Share	6.0	4.5

8. DIVIDEND

The Directors are recommending the payment of a final dividend equivalent to 1.5p per Ordinary 5p share (2005: nil) subject to obtaining shareholder approval at the forthcoming Annual General Meeting (AGM) to be held on 30 January 2007. The dividend will be payable to all shareholders on the register as at 29 December 2006. The total amount of the dividend is £852,000 (2005: nil).

In accordance with Financial Reporting Standard 21, this amount is not provided for in the 2006 financial statements.

No interim dividend has been paid during the year (2005: £316,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

9. STAFF COSTS

	2006 £'000	2005 £'000
Wages and salaries	13,820	11,298
Social security costs	1,371	1,084
Other pension costs	23	44
	15,214	12,426

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

	2006 Number	2005 Number
Administration	37	29
Caffè & Food Shops	956	802
	993	831

10. DIRECTORS

	2006 £'000	2005 £'000
Remuneration		
Emoluments	568	498
Gain on exercise of share options	1,222	-
Contributions to money purchase pension schemes	23	44
Total emoluments	1,813	542

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

Emoluments	246	189
Gain on exercise of share options	820	-
Contributions to money purchase pension schemes	14	14
	1,080	203

During the period, 2 directors (2005: 3) accrued benefits under money purchase pension schemes and 2 directors (2005: nil) exercised share options.

Further details of directors' remuneration and share options are given in the Directors' Report on pages 14-15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

11. INTANGIBLE FIXED ASSETS

	Trade marks £'000
COST	
At 25 September 2005	31
Additions	1
At 24 September 2006	32
AMORTISATION	
At 25 September 2005	7
Charge for the period	3
At 24 September 2006	10
NET BOOK VALUES	
At 24 September 2006	22
At 25 September 2005	24

12. 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 25 September 2005	2,296	8,682	4,027	316	15,321
Additions	525	2,526	1,306	381	4,738
Reclassification	32	282	2	(316)	-
Disposals	-	-	(41)	-	(41)
As at 24 September 2006	2,853	11,490	5,294	381	20,018
DEPRECIATION					
As at 25 September 2005	240	1,079	1,459	-	2,778
Charge for period	121	482	633	-	1,236
Elimination on Disposal	-	-	(6)	-	(6)
As at 24 September 2006	361	1,561	2,086	-	4,008
NET BOOK VALUES					
As at 24 September 2006	2,492	9,929	3,208	381	16,010
As at 25 September 2005	2,056	7,603	2,568	316	12,543

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

13. STOCKS

	2006	2005
	£'000	£'000
Materials	244	215
Finished Goods and Goods for Resale	979	725
	1,223	940

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£'000	£'000
Trade debtors	156	151
Other debtors	267	278
Prepayments and accrued income	1,220	969
	1,643	1,398

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005
	£'000	£'000
Trade creditors	3,117	2,811
Corporation tax	178	411
Taxation and social security	1,416	928
Accruals and deferred income	4,004	3,169
	8,715	7,319

16. PROVISION FOR DEFERRED TAX

	2006	2005
	£'000	£'000
Accelerated capital allowances	1,395	977
Other timing differences	(33)	(29)
Undiscounted provision for deferred tax	1,362	948
Provision at the start of the period	948	706
Deferred tax charge in profit and loss account for the period	414	242
Provision at the end of the period	1,362	948

There is no unprovided deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

17. SHARE CAPITAL

	Authorised			
	2006 Number (‘000)	2005 Number (‘000)	2006 £’000	2005 £’000
A Ordinary of 50p each	-	6,766	-	3,383
B Ordinary of 50p each	-	6,903	-	3,451
C Ordinary of 50p each	-	716	-	358
D Ordinary of 50p each	-	615	-	308
Ordinary shares of 5p each	150,000	-	7,500	-
	150,000	15,000	7,500	7,500
	Allotted, called up and fully paid			
	2006 Number (‘000)	2005 Number (‘000)	2006 £’000	2005 £’000
A Ordinary of 50p each	-	2,884	-	1,442
B Ordinary of 50p each	-	2,316	-	1,158
C Ordinary of 50p each	-	210	-	105
D Ordinary of 50p each	-	54	-	27
Ordinary shares of 5p each	56,798	-	2,840	-
	56,798	5,464	2,840	2,732

The Company listed on the Alternative Investment Market (AIM) of the London Stock Exchange on 14 December 2005. Prior to flotation, the Company had four share classes designated A, B, C and D, all ranking *pari passu*. On 5 December 2005, each of the existing issued and unissued ordinary shares, of each class, were re-designated as ordinary shares. Each 50p ordinary share was then sub-divided into 10 ordinary shares of 5p each.

As part of the flotation process, 2,103,215 options under option agreements were exercised. The market price on exercise was 94.5p. 1,605,625 of the options were exercised at 10.1p with the remaining 497,590 being exercised at 16p.

On 28 April 2006, 60,000 options were exercised at 10.1p.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

17. SHARE CAPITAL (continued)

Options granted under the Company's approved share option schemes to employees are as follows:

Date Granted	Number Outstanding 25/09/05	Number Granted	Number Exercised/ Lapsed	Exercise Outstanding 24/09/06	Exercise Price (Pence)	Date Exercisable From	Expiry Date
09/02/01	390,000	-	(390,000)	-	10.1	09/02/04	09/02/11
11/10/01	200,000	-	(185,625)	14,375	10.1	11/10/04	11/10/11
09/12/02	200,000	-	(155,000)	45,000	16	09/12/05	09/12/12
28/11/03	420,000	-	(70,000)	350,000	20	28/11/06	28/11/13
19/02/04	310,000	-	(60,000)	250,000	31	19/02/07	19/02/14
04/10/04	50,000	-	(50,000)	-	40	04/10/07	04/10/14
21/01/05	195,000	-	(50,000)	145,000	40	21/01/08	21/01/15
22/07/05	265,000	-	(30,000)	235,000	65	22/07/08	22/07/15
09/12/05	-	508,490	(56,000)	452,490	94.5	09/12/08	09/12/15
Total	2,030,000	508,490	(1,046,625)	1,491,865			

Options granted to employees under the Company's unapproved share option scheme:

Date Granted	Number Outstanding 25/09/05	Number Granted	Number Exercised/ Lapsed	Exercise Outstanding 24/09/06	Exercise Price (Pence)	Date Exercisable From	Expiry Date
09/12/05	-	75,510	-	75,510	94.5	09/12/08	09/12/15

Details of directors' share options are contained on pages 14-15 of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

18. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 25 September 2005	1,544	4,400	5,944
Retained profit for the period	-	2,539	2,539
Premium on Exercise of Options	140	-	140
At 24 September 2006	1,684	6,939	8,623

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £'000	2005 £'000
Profit for the financial period	2,539	2,222
Dividends Paid	-	(316)
Net proceeds of share issue	248	212
Net increase in shareholders' funds	2,787	2,118
Opening shareholders' funds	8,676	6,558
Closing shareholders' funds	11,463	8,676

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating Profit	3,386	3,264
Depreciation charges	1,236	973
Amortisation of trade marks	3	3
Increase in Stocks	(283)	(147)
Increase in Debtors	(245)	(426)
Increase in Creditors	1,629	2,005
Elimination of Profit on Disposal	(6)	(9)
Net cash inflow from operating activities	5,720	5,663

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

21. ANALYSIS OF CHANGES IN NET FUNDS

	At 25 September 2005 £'000	Cash flows £'000	At 24 September 2006 £'000
Cash at bank and in hand	2,038	(646)	1,392
Other liquid resources	-	1,250	1,250
Total	2,038	604	2,642

22. CAPITAL COMMITMENTS

	2006 £'000	2005 £'000
Capital commitments contracted for but not provided for in the financial statements	224	1,038

23. OPERATING LEASE COMMITMENTS

At 24 September 2006 the company was committed to making the following payments under non-cancellable operating leases in the period to 23 September 2007.

	Land and buildings	
	2006 £'000	2005 £'000
Operating leases which expire:		
Within 1 year	38	12
Within 2 to 5 years	-	103
After 5 years	3,865	3,208
	3,903	3,323

24. OTHER FINANCIAL COMMITMENTS

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

	2006 £'000	2005 £'000
Total contract value	125	375

The contracts will all be exercised within 6 months of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

25. PENSIONS

The company makes contributions to personal pension plans of directors. The total amount paid during the period was £23,000 (2005: £44,000).

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.

26. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 SEPTEMBER 2006 (continued)

26. FINANCIAL INSTRUMENTS (continued)

Surplus funds are invested in fixed short term deposit accounts. At period end the amount held in fixed deposit accounts was £1.25m (2005: Nil). The weighted average interest rate of the short term deposits utilised was 4.7% and the average amount of time for which interest rates are fixed on short-term deposits was 60 days. The maturity date of the amounts held on deposit at the period end was 23 October 2006.

Interest Rate Risk

The Company had no borrowing facilities at 24 September 2006 that had been drawn down (2005: 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 24 September 2006 of £2m (2005: £2m) which expire within one year and a £1m (2005: £1m) overdraft facility.

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:	12 Great Portland Street London W1W 8QN
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
SOLICITORS:	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

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LOCATIONS

CENTRAL LONDON

Market Place
Fenwick, Bond Street
St. Christopher's Place
Canary Wharf
Smithfield
South Kensington
Bloomsbury
Spitalfields

GREATER LONDON

Kingston
Ealing
Fenwick, Brent Cross
Islington
Putney
Fulham
Hampstead
St. John's Wood
Chiswick

SURREY

Esher
Kingston
Richmond

KENT

Bluewater
Tunbridge Wells

OXFORDSHIRE

Bicester
Oxford

BERKSHIRE

Reading
Windsor

HERTFORDSHIRE

St. Albans

WEST SUSSEX

Brighton



www.carluccios.com



CARLUCCIO'S PLC, 12 GREAT PORTLAND STREET, LONDON W1W 8QN
TELEPHONE: 020 7580 3050 WWW.CARLUCCIOS.COM