



UN GIORNO NELLA VITA
A DAY IN THE LIFE

Carluccio's

ANNUAL REPORT & ACCOUNTS 2009

2009

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Financial Highlights

01

+8%

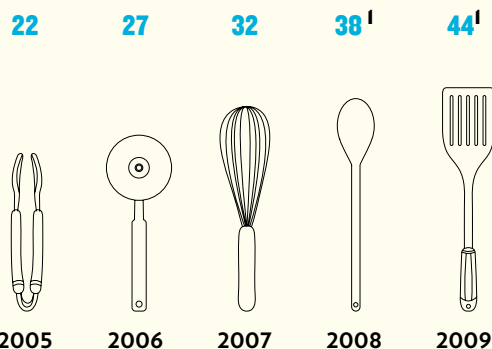
increase in turnover 2009:
£69.0m (2008: £64.1m)

2.3p

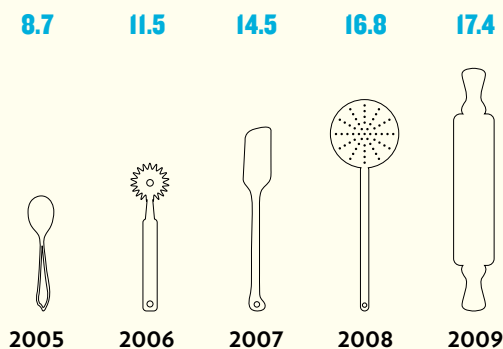
Dividend per share

£4.7m

Adjusted profit before tax³



NUMBER OF STORES OPEN



NET ASSETS (£M)

FIVE YEAR HIGHLIGHTS

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|------|------|------|-----------------|------------------|
| Number of stores open | 22 | 27 | 32 | 38 ¹ | 44 ¹ |
| Turnover (£m) | 36.8 | 45.8 | 53.3 | 64.1 | 69.0 |
| Adjusted profit before tax (£m) ² | 3.5 | 4.3 | 5.6 | 6.0 | 5.1 ³ |
| Cash flow from operating activities (£m) ⁴ | 4.2 | 4.6 | 6.7 | 7.9 | 7.6 |

¹ 2008 includes Dublin, 2009 includes Dublin and Dubai both under franchise.

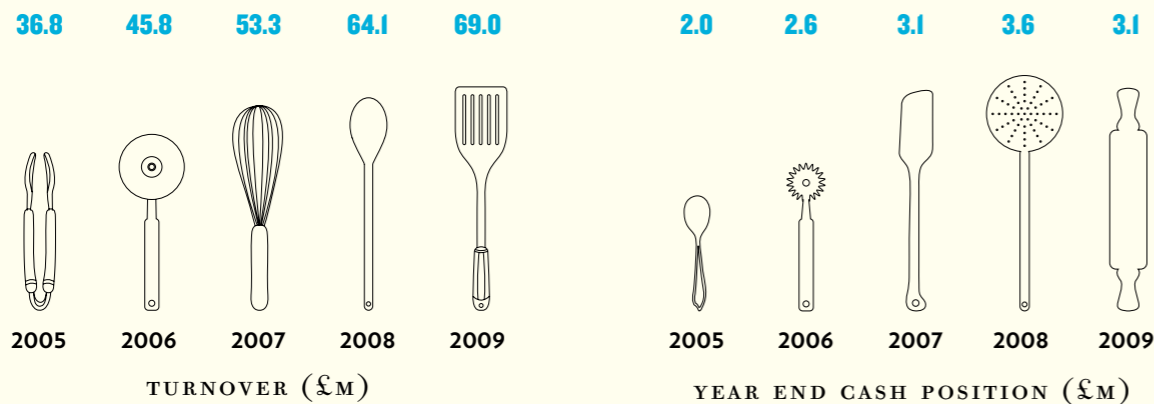
² Excludes exceptional expense and IFRS 2 impact where applicable.

³ Excludes provisions for impairment and onerous leases.

⁴ Stated before working capital movements.

Chairman's statement 2009

I am pleased to report that despite the challenging economic environment our business has performed robustly, delivering an adjusted profit before tax slightly ahead of consensus market expectations.



TURNOVER (£M)

YEAR END CASH POSITION (£M)

RESULTS

Turnover for the financial year 2009 grew by 8% to £69.0m, against £64.1m in 2008, a 53 week year. Adjusted earnings before tax, depreciation and amortization (EBITDA)* was £7.6m (2008: £7.9m), a performance that demonstrates the highly cash generative nature of Carluccio's. This strong cash generation, together with a debt free capital structure, has supported the unaltered programme of six new store openings (including one under franchise). It has also enabled your Board to recommend an unaltered final dividend of 1.6p per ordinary share (2008: 1.6p). This will be paid on 19 February 2010 to those shareholders on the register at 18 December 2009 and equates to a total dividend for the year of 2.3p (2008: 2.3p).

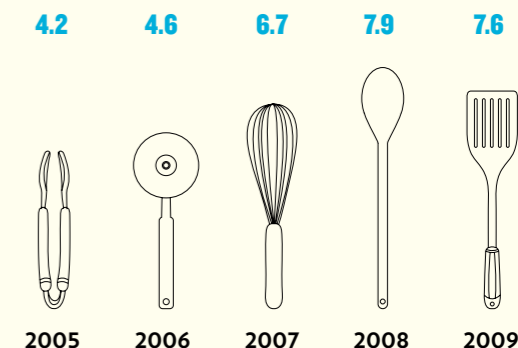
Adjusted profit before tax** was £4.7m (2008: £5.6m), achieved in the face of extremely challenging trading conditions and substantial cost pressures arising from a weak Sterling/Euro exchange rate, higher utility costs and a statutory increase in the number of paid holiday days.

* adjusted for the following non-trading and non-cash charges: (a) impairment provision of £1.2m (2008: nil); (b) onerous lease provision of £0.5m (2008: nil) and (c) an IFRS2 charge of £0.5m (2008: £0.3m).

** adjusted for the following non-trading and non-cash charges: (a) impairment provision of £1.2m (2008: nil); (b) onerous lease provision of £0.5m (2008: nil).

A non-trading impairment and onerous lease charge of £1.7m was made against two stores: one in the Oxford Castle development and a second in the Trafford Centre, Manchester. We are currently looking within Oxford for a more appropriate location and are very pleased with trading in our Manchester City Centre store, where turnover is increasing significantly year on year.

Our tax rate is higher than in the prior year at 49% (2008: 35%) as not all of the impairment provision is tax deductible. As a result, our diluted earnings per share (EPS) was 2.6p (2008: 6.2p). Adjusting for the impact of the provision, share option charge and pre-opening expenses increases adjusted diluted EPS to 7.2p (2008: 8.3p). Further detail is provided in note 9.



CASH FLOW FROM OPERATING ACTIVITIES (£M) before working capital changes.

Chairman's statement

continued

04

REVIEW OF THE BUSINESS

At the time I wrote my statement last year, the country was entering the worst economic crisis in recent history and, in common with all restaurants, we suffered from the pressure on discretionary consumer spending. The value based promotions that we introduced in January and February 2009 were highly successful in attracting customers during the quietest time of the year. Unlike other restaurant groups we withdrew from prolonged periods of discounting after February and as a result our gross margin has remained stable when compared to the prior year.

During the year we opened six new stores, five in the UK and one under franchise in Dubai. Four of our UK openings were outside London: one in Leicester, two in Bristol and one in the department store Fenwick, Canterbury, continuing our very successful partnership with the Fenwick Group. There is an opportunity to extend this relationship as and when suitable locations become available. All of the new openings in 2009 traded at turnover levels ahead of the Board's initial expectation which continues to demonstrate the strength of our business model and confirms our belief that the Carluccio's brand has nationwide appeal.

March saw the opening of our first store under franchise in Dubai. The Board is very encouraged by the recognition of the Carluccio's brand. Trading has been ahead of expectations and our partner in the Gulf region, the Landmark Group, is currently progressing plans for two further openings in 2010. The Dublin franchise store continues to achieve turnover levels that would position it in the top ten of the UK estate. Nonetheless, onerous lease terms resulting from the current difficulties of the Irish economy mean a significant delay to the development programme. Disappointing though this is, the impact is not material to our business.

During the year we refurbished both our Fulham and Chiswick stores. Our customers have responded very favourably to the new design so we have started a programme of refurbishment that will include a number of our other stores. The first in St. Albans re-opened in November.

A debt free, low customer average spend business model, means that we are well placed to benefit from an improving economy.

05

Since the year end we have opened the 45th Carluccio's in Exeter. This store incorporates the same new design elements and is trading well ahead of the Board's expectations. The next two openings will be in Cardiff and Wimbledon and we anticipate an opening programme of at least five new UK stores in the 2010 financial year. Our positive cash balance of £3.1m together with strong cash generation means that we will be extremely well placed to take advantage of any additional site opportunities that may arise.

The Company's management and staff have worked tirelessly to continue to provide our customers with the unique experience that has become a Carluccio's trademark. Whether eating a full meal or simply having a coffee, buying from our shops or using our on-line shopping facility, customers enjoy the same friendly and highly attentive level of service.

Harris Interactive, a global market research company, recently polled over 2,000 consumers asking them to rate their dining experiences in the last 6 months. Carluccio's beat 35 other leading restaurant brands to top the poll, and as a result, we were awarded the Consumers Choice award at the recent Peach Factory Hero and Icon awards.

We have continued our work supporting Action Against Hunger. This is a charity committed to saving the lives of malnourished children and their families in over 40 countries worldwide. In recognition of our support we received a Corporate Social Responsibility Award at the 2009 charitytimes Awards.

CURRENT TRADING

There is no doubt that the economic climate will remain challenging during the current year but recently there have been some signs of improved consumer confidence. We have been encouraged by trading in the first eight weeks since the year end, which has been slightly ahead of the Board's expectations.

Carluccio's trades all day, combines every restaurant with a retail shop and offers customers excellent value for money. I believe that the strength of our business model will continue to differentiate Carluccio's within the casual dining sector.

STEPHEN CEE
7 December 2009

365 days

06

3.1

£m cash at
year end

7.6

£m cash
generated from
operations

1st

Carluccio's
in Middle
East

6

new
Carluccio's
caffè

2

Carluccio's
under
franchise

7.2^p

adjusted
diluted eps

07

365 days

08

23^p

dividend

- New website launched
- Debt Free
- Store opening programme financed from internally generated cash flow
- Industry-leading cash returns

A DAY IN THE LIFE

Carluccio's 09

.....
GIOVEDI
.....

VENERDI
.....

SABATO
.....

DOMENICA
.....

LUNEDI
.....

MARTEDI
.....

MERCOLEDI
.....

7.10am **Bentalls, Kingston Upon Thames – Buon Natale**

Christmas – or Il Natale, is always an important time of year at Carluccio's, with festive fun and decorations a-plenty. Thanks to our marketing and visual merchandising teams, our displays evoke all the traditions, colours and flavours of authentic Italian cuisine, and they're especially vibrant at Christmas.

7.20am

Exeter – Fresh Focaccia... every day!

Buongiorno. Every morning our chefs get up early to bake fresh Focaccia, made to a traditional Italian recipe. They leave the dough to rise and then, they divide it into several pieces, roll it out into trays, add a drizzle of olive oil and bake. Brushed with olive oil and finished with a sprinkling of sea salt, it's ready to go... *Delizioso!*

7.30am

7.40am **Market Place, London – Breakfast is served**

Starting the day in style with our delicious eggs florentine. Our popular breakfast menu also includes dishes like Panettone, Parma ham, and Uova e Funghi – scrambled free-range eggs with sautéed mushrooms on toasted bread.

7.50am

Leicester – From Italy, with love

Preparing for another busy day, our Leicester caffè receives a delivery of culinary delights from Italy, including everything from the freshest seasonal ingredients to the most delicious sweets by Italian confectionary maker Leone.

8.00am

Esher – The new menu arrives

Updated with new dishes and seasonal treats on a regular basis, our menus are always a source of great pride – and even greater food!

Canary Wharf, London – Breakfast on the go

Commuters can always look forward to a hot Latte and a pastry to go...





10.10am Piemonte, Italy – Antonio & Co in Italia
 Our chefs and buying teams visit Italy 3 or 4 times a year to find new products and visit small artisan suppliers. This year they paid a visit to our rice producer in Veneto, one of our sauce makers in Calabria, and Leone, our sweet makers in Piemonte. Before leaving Piemonte they met the people who make our Torrone, who showed our team how to make their own delightful nougat. *La dolce vita!*

10.20am Windsor – Sandwiches at the ready
 Whether you're a vegetarian or a fully-fledged carnivore, there's plenty of choice if you fancy a quick, tasty lunch – salads, calzone, pizette, and fresh ciabatta sandwiches with flavoursome fillings like Parma ham & Taleggio cheese, or Mozzarella, tomato & pesto.

10.30am St. Christopher's Place, London
 Our chefs have been busy preparing the fresh produce that arrived this morning. Getting ready to serve freshly prepared, authentic Italian food to a caffè packed full of hungry customers!

10.40am Cribbs Causeway, Bristol, – Decisions, decisions...
 Take a break from all that retail therapy with a well-earned cappuccino and a slice of Torta di miele e mandorla – that's honey and almond tart to the uninitiated.

10.50am Hampstead, London – Making fresh ravioli
 There's nothing quite like the taste of pasta, especially when it's filled with pumpkin! To make our ravioli we roll fresh pasta dough into a long sheet, spoon the filling on at 2-3cm intervals, lay a second sheet of pasta on top of the first, cut out squares with a serrated pasta wheel and... *hey presto!*

11.00am Stratford-upon-Avon – A busy morning
 Taking mid-morning orders, from espressos and ristrettos to indulgent Cioccolata Fiorentinas – an espresso cup filled with thick, dreamy drinking chocolate.



1.10pm **Reading – Face painting**
Children are always welcome at Carluccio's. At our Reading caffè we invite all ages to pop in and have their faces painted on a Sunday afternoon.

From cats to vampires, come on down and you'll find a menagerie of characters!



1.20pm **Spitalfields, London – Discussing business over pasta**
Planning a new operational strategy over Tortellini di Cervo (pasta filled with venison). Many of our customers like to do business over lunch in a relaxed atmosphere. Then it's back to the office to catch up on emails.

1.30pm **Islington, London – La gastronomica**
With seven types of olives, roasted peppers, sun dried tomatoes, insalata, cold meats such as Milano and Pancetta, Curo di Carciofi – artichoke hearts, freshly baked calzone, pizette and ciabatta sandwiches, our deli counters are a feast for the eyes as well as the palette.

1.40pm **Covent Garden, London – Only the tastiest gifts will do...**
There's nothing quite like a present from Carluccio's. With lots to choose from, like delicious Panettone Milano and Stellite di Natale – traditional Christmas sweets, it's a wonder customers don't keep it all for themselves!

1.50pm _____

2.00pm **Trafford Centre, Manchester – Meeting friends for a late lunch**
Catching up over a plate of pasta funghi and a glass of Sicani Bianco. Our lunchtime menu features a range of authentic pasta dishes: from Lasagna and Pasta con Funghi to spicy Rigatoni all'Amatriciana.

Cambridge – Parmesan perfection
We use heaps of Parmesan in our caffès: that's why we teach our staff members the right way to break it up with special knives, making the finest shavings to top your meal.



4.10pm **Covent Garden, London**
 – Sharing knowledge and passion
 Managers go on a 12 week training programme before they begin their career with Carluccio's. Their training covers everything from how to make the perfect cup of coffee to learning about the different olive oils and Balsamic vinegars we sell, where they come from, and how they are made.

4.20pm



4.30pm **Tunbridge Wells – Excellent service every time**
 From a busy lunch service to a full house for dinner, our waiters and waitresses are trained to provide exceptional service – just one of the reasons why we were voted 'Best Chain Restaurant' at the London Restaurant Awards and 'Best Gourmet Food Retailer' by Good Housekeeping magazine. *Eccezionale!*

4.40pm

Brighton – The connoisseur's choice
 Sharing a bottle of wine after a shopping trip. Our customers can choose from carefully selected wines such as Sicilian Sicani Bianco, Puglian rosé and sumptuous reds from the fertile, rolling hills of Toscana. Chosen to complement our seasonal menus, we have a wine for every occasion.

4.50pm

5.00pm **Exeter – Gather around...**
 Making sure they're ready to maintain our consistently high standards, our chefs always get together to discuss the imminent evening service.



7.10pm **St. Albans – Sprucing up our caffès**
 We are currently refurbishing some of our caffès as part of an ongoing investment programme. In St. Albans, our builders worked into the night so our merchandising team could arrive early to stock the caffè before re-opening in November. *Ealing and Kingston next.*

7.20pm

**Covent Garden, London
 – Service with a smile**

7.30pm Passionate and dedicated, the Garrick Street staff work hard to ensure a great experience for 20 guests at a birthday party in our private dining room. For starters: a first course that tastes as good as it looks. *Buon appetito!*

7.40pm **London, St. Pancras – Table for two**
 Enjoying a light dinner before boarding the train to Paris – the perfect start to a romantic weekend away.

7.50pm **Esher – From vine to vino**
 We select only the finest Italian wines. The tags you can see hanging from the bottles in our Esher caffè are packed with information on where the wine is from, what grapes were used and what type of dish it complements. We're passionate about good food and wine, and by sharing a little knowledge we can be sure that our customers are enjoying the very finest Italian cuisine.

8.00pm **Chiswick, London – North, south, east, west...**
 Keeping the shelves stocked with delicious products from all over the length and breadth of Italy, from Piemonte to Puglia and everywhere in between. From Pesto di pecorino and Pandolce di Genova, to Limoncello di Sorrento and Sardinian saffron.





10.10pm **Walton on Thames – La musica**
 Fine dining and music – is there a better combination? Throughout the year, our caffès host as many as fifty special events from jazz, opera recitals and cooking demonstrations to biscuit decorating for children and late night Christmas shopping, with a glass of mulled wine, of course. *To find out more about forthcoming events at your local caffè, visit our website at www.carluccios.com*

10.30pm **Leicester – Last service!**
 As the last order of the day is completed, our chefs wind down for the night and prepare the kitchen for tomorrow...

10.40pm

Fulham Road, London – Coffee for table 6
 Espresso... there's no better way to finish a meal. With two blends made especially for Carluccio's – Napoli and Milano, our customers can always look forward to the exquisite taste of caffè Italiano.

11.00pm **Covent Garden, London – Time to go home...**
 Another busy day draws to a close. Our caffè teams can enjoy a well-earned rest, while our customers can look forward to more exceptional Italian cuisine tomorrow, and the day after that, and the day after... *Buonanotte!*



45 caffès



● NEW CAFFÈS



Canterbury



Cribbs Causeway, Bristol



Quaker's Friar, Bristol



Leicester

| | | |
|----------------------|---|--|
| Central London | THE BRUNSWICK CANARY WHARF COVENT GARDEN FENWICK, BOND STREET MARKET PLACE | SMITHFIELD SOUTH KENSINGTON SPITALFIELDS ST. CHRISTOPHER'S PLACE ST. PANCRAS INTERNATIONAL |
| Greater London | CHISWICK EALING EARLSFIELD FENWICK, BRENT CROSS FULHAM ROAD HAMPSTEAD | HEATHROW TERMINAL 5 ISLINGTON NOTTING HILL PUTNEY ST. JOHN'S WOOD |
| Berkshire | READING | WINDSOR |
| Cambridgeshire | CAMBRIDGE | |
| Devon | EXETER | |
| Hertfordshire | ST. ALBANS | |
| Kent | BLUEWATER CANTERBURY | TUNBRIDGE WELLS |
| Leicestershire | LEICESTER | |
| Manchester | SPINNINGFIELDS | TRAFFORD CENTRE |
| Oxfordshire | BICESTER | OXFORD |
| Avon | CRIBBS CAUSEWAY, BRISTOL | QUAKERS FRIAR, BRISTOL |
| Surrey | BENTALLS, KINGSTON UPON THAMES CHARTER QUAY, KINGSTON UPON THAMES | ESHER RICHMOND WALTON-ON-THAMES |
| East Sussex | BRIGHTON | |
| Warwickshire | STRATFORD-UPON-AVON | |
| Republic of Ireland | DUBLIN | |
| United Arab Emirates | DUBAI | |
| Opening in 2010 | WIMBLEDON AND CARDIFF | |

SPECIALS

ZUPPA DI ZUCCA €4.50
Pumpkin soup served with focaccia

LINGUINE E CARCIOFI €7.00
Linguine pasta served with artichokes & cream sauce

ROSTO DI PANCHE €9.50
Fresh wild and exotic mushrooms & a creamy risotto

COTELETTA MALE ALLA VALDOBBIANA
Pork cutlets stuffed with sage, cheese with fried sour potatoes

PETTO DI POLLO ALLA CACIOTTONE €8.50
Chest chicken served with a fresh tomato & herb sauce

CREME E FRUTTI DI BOSCO €4.50
A luscious vanilla tartlet with a variety of fresh and dried fruit served with ice cream

PIZZA... €10.00
PIZZA... €12.00
PIZZA... €14.00

SAUVIGNON BLANCO, PEA, PRADON
COLTRENZO 2009, PUA, PUA
A fine and Sauvignon from the East Italy wine producer

SPECIAL MENU

RIPASSO DI VAL...
Rice, pasta &...
Pasta with...



Directors' report

The directors present their report with the financial statements of the Company for the 52 weeks ended 27 September 2009.

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 its expansion during the year, opening 5 further Carluccio's in Leicester (September 2008), Bristol (October 2008), Earlsfield (November 2008), Canterbury (August 2009) and Bristol Cribbs Causeway (August 2009). Since the year-end a further site has been opened in Exeter.

The Company's franchise partner in the Middle East, Landmark Group, opened its first outlet in Dubai in March 2009.

Resolution 2 of the notice of Annual General Meeting is an ordinary resolution to declare a final dividend of 1.6p per ordinary share (2008: 1.6p). An interim dividend of 0.7p per ordinary share (2008: 0.7p) was paid to shareholders on 19 June 2009. The proposed final dividend is recommended by the directors and will be paid in 2010 to all shareholders on the register as at the close of business on 18 December 2009, subject to obtaining the necessary shareholder approval. The total dividend payout for the 2009 financial year will be 2.3p (2008: 2.3p) per ordinary share, making a total payout of £1,312,000 (2008: £1,311,000).

The profit for the period before taxation was £4,664,000 (2008: £5,629,000) before recognising provisions for impairment and onerous leases of £1,708,000 (2008: nil). After recognising these provisions, profit before tax was £2,956,000 (2008: £5,629,000).

A more detailed review of the business is contained in the Chairman's Statement on pages 2 to 5.

PRINCIPAL UNCERTAINTIES AND RISKS

Economic environment

The economy remains mired in recession and the UK consumer is facing a further difficult year in 2010. There will be higher personal taxation and a possible change of government, all in the context of historically high personal debt levels. These factors may impact on discretionary expenditure such as eating out of the home. The Company's business model is debt free with a low average spend per head which should prove beneficial in such times.

Euro exchange rate and food price inflation

The Company imports a large proportion of its products from Europe either directly or indirectly through distributors. This means that it is sensitive to a further devaluation in Sterling against the Euro which will result in higher food input costs. In addition, one of the consequences of the government's quantitative easing programme is the potential for higher inflation. If this does indeed occur then it is likely that the Company will face higher input costs. The Company uses a number of third party purchasing consultants to help mitigate the effect of supplier price pressure.

Development programme

The market for the best restaurant properties remains highly competitive despite the recession and the Company's future growth is dependent on securing further good quality locations. The Company has an experienced in-house team working with external property finding organisations to ensure a continuous supply.

Directors' report

continued

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DIRECTORS

The names of the current directors and their biographies are stated on page 33. They served throughout the period unless otherwise stated, and their beneficial interests in the ordinary share capital were as follows:

| Name | Ordinary shares of 5p each 27 September 09 | Ordinary shares of 5p each 28 September 08 |
|-----------------|---|---|
| Stephen Gee | 2,500,000 | 2,500,000 |
| Simon Kossoff | 2,579,990 | 2,579,990 |
| Frank Bandura | 178,600 | 130,600 |
| Sarah Murray | - | 45,000 |
| David Bernstein | 50,000 | 50,000 |
| Peter Webber | 1,852,800 | 1,852,800 |
| | 7,161,390 | 7,158,390 |

Scott Svenson, a non-executive director, has a beneficial interest in the Company arising by virtue of his 45.7% (2008: 45.7%) interest in The Sienna Group. The Sienna Group holds 1.5 million shares (2008: 1.5 million) in the Company.

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

APPROVED SCHEME (ENTERPRISE MANAGEMENT INCENTIVE SCHEME)

| Director | Date granted | Number outstanding 28/09/08 | Number granted | Number exercised | Number outstanding 27/09/09 | 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 | | | |
| Sarah Murray | 19/02/04 | 40,000 | - | - | 40,000 | 31 | 19/02/07 | 19/02/14 |
| | 21/01/05 | 60,000 | - | - | 60,000 | 40 | 21/01/08 | 21/01/15 |
| | 22/07/05 | 40,000 | - | - | 40,000 | 65 | 22/07/08 | 22/07/15 |
| | 14/12/05 | 61,490 | - | - | 61,490 | 95 | 14/12/08 | 14/12/15 |
| | 15/12/06 | 8,079 | - | - | 8,079 | 165 | 15/12/09 | 15/12/16 |
| | | 209,569 | - | - | 209,569 | | | |
| Total Approved | | 809,824 | - | - | 809,824 | | | |

Directors' report

continued

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UNAPPROVED SCHEME

| Director | Date granted | Number outstanding 28/09/08 | Number granted | Number exercised | Number outstanding 27/09/09 | Exercise price (pence) | Date exercisable from | Expiry date |
|-------------------------|--------------|-----------------------------|----------------|------------------|-----------------------------|------------------------|-----------------------|-------------|
| Stephen Gee | 09/12/2005 | 694,190 | - | - | 694,190 | 95 | 09/12/2008 | 09/12/2015 |
| Simon Kossoff | 28/11/2003 | 200,000 | - | - | 200,000 | 20 | 28/11/2006 | 28/11/2013 |
| | 19/02/2004 | 200,000 | - | - | 200,000 | 31 | 19/02/2007 | 19/02/2014 |
| | 09/12/2005 | 694,190 | - | - | 694,190 | 95 | 09/12/2008 | 09/12/2015 |
| | 15/12/2006 | 200,000 | - | - | 200,000 | 165 | 15/12/2009 | 15/12/2016 |
| | 07/12/2007 | 150,000 | - | - | 150,000 | 151 | 07/12/2010 | 07/12/2017 |
| | | 1,444,190 | - | - | 1,444,190 | | | |
| Frank Bandura | 22/07/2005 | 22,750 | - | - | 22,750 | 65 | 22/07/2008 | 22/07/2015 |
| | 14/12/2005 | 746,115 | - | - | 746,115 | 95 | 14/12/2008 | 14/12/2015 |
| | 15/12/2006 | 143,000 | - | - | 143,000 | 165 | 15/12/2009 | 15/12/2016 |
| | 07/12/2007 | 100,000 | - | - | 100,000 | 151 | 07/12/2010 | 07/12/2017 |
| | | 1,011,865 | - | - | 1,011,865 | | | |
| Sarah Murray | 09/12/2005 | 75,510 | - | - | 75,510 | 95 | 09/12/2008 | 09/12/2015 |
| | 15/12/2006 | 124,921 | - | - | 124,921 | 165 | 15/12/2009 | 15/12/2016 |
| | 07/12/2007 | 50,000 | - | - | 50,000 | 151 | 07/12/2010 | 07/12/2017 |
| | | 250,431 | - | - | 250,431 | | | |
| Total Unapproved | | 3,400,676 | - | - | 3,400,676 | | | |

LONG TERM INCENTIVE PLAN (LTIP)

| Director | Date granted | Number outstanding 28/09/08 | Number granted | Number exercised | Number outstanding 27/09/09 | Exercise price (pence) | Date exercisable from |
|---------------|--------------|-----------------------------|----------------|------------------|-----------------------------|------------------------|-----------------------|
| Simon Kossoff | 05/06/2009 | - | 400,000 | - | 400,000 | 97 | 05/06/2012 |
| Frank Bandura | 05/06/2009 | - | 300,000 | - | 300,000 | 97 | 05/06/2012 |
| Sarah Murray | 05/06/2009 | - | 200,000 | - | 200,000 | 97 | 05/06/2012 |
| | | - | 900,000 | - | 900,000 | | |

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The Company introduced a Long Term Incentive Plan (The Plan) for directors and key personnel in the current period. Directors' share awards made under The Plan are only capable of vesting upon the achievement of certain performance criteria relating to the growth of earnings per share in excess of inflation over a three year period. Share option grants in the prior period are similarly only capable of vesting upon the achievement of certain performance criteria relating to the growth in Company profits after tax over a three year period. Shares awarded under The Plan have no expiry date.

The market price of the Company's shares at the end of the financial period was 95p (2008: 100p). The market price during the period ranged between 50p and 99p (2008: 100p and 201p).

DIRECTORS' REMUNERATION

| | Basic Salary/ Fees (£'000) | Performance Related Bonus (£'000) | Benefits in Kind (£'000) | Pension (£'000) | Total for 52 weeks ended 27 September 09 (£'000) | Total for 53 weeks ended 28 September 08 (£'000) |
|-----------------|----------------------------------|---|--------------------------------|--------------------|---|---|
| Stephen Gee | 60 | - | - | - | 60 | 60 |
| Simon Kossoff | 180 | 108 | 30 | 18 | 336 | 228 |
| Frank Bandura | 115 | 75 | 5 | 12 | 207 | 133 |
| Sarah Murray | 90 | 59 | 2 | - | 151 | 33 |
| David Bernstein | 35 | - | - | - | 35 | 35 |
| Scott Svenson | 26 | - | - | - | 26 | 26 |
| Peter Webber | 35 | - | - | - | 35 | 35 |
| Total | 541 | 242 | 37 | 30 | 850 | 550 |

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

No share options were exercised during the period (2008: nil) and consequently no net gains were realised (2008: £nil).

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.

Directors' report

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SUBSTANTIAL INTERESTS

At 30 November 2009, 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 |
|----------------------|-------------------|------------------------------------|
| Innes Limited | 6,865,000 | 11.8% |
| Standard Life | 5,391,000 | 9.2% |
| BlackRock Inc. | 3,108,400 | 5.3% |
| Highclere | 2,953,710 | 5.1% |
| Fidelity Investments | 2,908,500 | 5.0% |
| Aviva Plc | 2,863,518 | 4.9% |
| S Kossoff | 2,579,990 | 4.4% |
| S Gee | 2,500,000 | 4.3% |
| A Chisholm | 2,106,620 | 3.6% |
| F Bolwell | 1,950,000 | 3.3% |
| P Webber | 1,852,800 | 3.2% |
| Total | 35,079,538 | 60.1% |

There were 58,372,660 ordinary 5p shares in issue at 27 September 2009 and at 30 November 2009. The Company holds no shares in treasury and therefore the total number of voting rights is 58,372,660. The directors hold or control 8,661,390 shares or 14.8% of the share capital, leaving 49,711,270 shares or 85.2% 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 pages 26 to 29.

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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 4 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 meets at least once a year to discuss the strategic direction of the Company. Each Board member offers himself or herself for re-election every three years at the Company's Annual General Meeting. Directors' biographies appear on Page 33.

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 and the independence and objectivity of the auditors. The committee is also 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 including share based remuneration. 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 5 February 2010. The Company issues a trading update three times a year in addition to publishing its interim and final results. The Board are kept informed of any feedback from shareholders and receive analysts' reports as they become available.

Internal Audit

The Company has an 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 2009 was 31 days (2008: 33 days).

FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Company are contained in note 28 to the financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the period, the Company collected in discretionary contributions from its customers £172,000 (2008: £179,000). This amount was passed to Action Against Hunger, a registered charity that fights hunger and malnutrition worldwide. There were no political donations in the period (2008: nil).

Directors' report

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ENVIRONMENTAL POLICY

The Company acknowledges the importance of environmental matters and looks to reduce its impact on the environment wherever possible.

INDEMNITY COVER

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

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006.

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.

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. 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 LLP have signified their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

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
 7 December 2009

Directors' biographies

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STEPHEN GEE (*Chairman*) – aged 65.

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 Busaba Eathai Holdings Limited. He is also a non-executive director of Hansteen Holdings PLC.

SIMON KOSSOFF (*Managing Director*) – aged 49.

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 43.

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.

SARAH MURRAY (*Operations Director*) – aged 35.

Sarah is a law graduate from Aberdeen University with a post graduate diploma in management studies. Following 3 years with Pizza Hut, Sarah joined My Kinda Town's graduate training programme and held management positions in a number of themed restaurants in London between 1996 and 1998. Sarah joined Carluccio's in 1999 to open the first caffè in Market Place. She became Operations Director in January 2005 and joined the PLC Board in June 2008.

DAVID BERNSTEIN (*Non-Executive*) – aged 66.

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. He is also non-executive chairman of Wembley National Stadium Limited and a non-executive director of Ted Baker Plc. Previously, he was 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 43.

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 70.

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 organisation and is a director of several companies.

Independent auditor's report

to the members of Carluccio's PLC

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We have audited the financial statements of Carluccio's Plc for the 52 week period ended 27 September 2009 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

in our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 27 September 2009 and of the Company's profit for the 52 week period then ended;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the 52 week period for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

JOHN LE POIDEVIN

(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London, United Kingdom

7 December 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

For the period ended 27 September 2009

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| | Note | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|------|---------------------------------|---------------------------------|
| Revenue | 4 | 69,017 | 64,137 |
| Cost of sales | | (57,153) | (51,819) |
| Gross profit | | 11,864 | 12,318 |
| Administrative expenses | | (8,924) | (6,797) |
| Operating profit before provision for impairment and onerous lease costs | | 4,648 | 5,521 |
| Impairment provision | 15 | (1,208) | - |
| Onerous lease costs | 23 | (500) | - |
| Operating profit | 5 | 2,940 | 5,521 |
| Finance income | 6 | 38 | 122 |
| Finance expense | 7 | (22) | (14) |
| Profit before taxation | | 2,956 | 5,629 |
| Income tax expense | 8 | (1,446) | (1,982) |
| Profit for the financial period | | 1,510 | 3,647 |
| Basic earnings per share (pence) | 9 | 2.6 | 6.4 |
| Diluted earnings per share (pence) | 9 | 2.6 | 6.2 |

The notes on pages 39 to 62 form part of these financial statements.

Statement of changes in equity

For the period ended 27 September 2009

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| | Share capital £'000 | Share Premium account £'000 | EBT Reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|--|------------------------|-----------------------------------|-------------------------|-------------------------------|--------------------------|
| At 23 September 2007 | 2,849 | 1,713 | - | 9,967 | 14,529 |
| Profit for the financial period | - | - | - | 3,647 | 3,647 |
| Total recognised income and expense for the period | - | - | - | 3,647 | 3,647 |
| Tax on share options taken directly to reserves | - | - | - | (471) | (471) |
| Dividends paid | - | - | - | (1,311) | (1,311) |
| Issue of shares | 3 | 12 | - | - | 15 |
| Share based payment charge credited to reserves | - | - | - | 349 | 349 |
| Total change in equity for the period | 3 | 12 | - | 2,214 | 2,229 |
| At 28 September 2008 | 2,852 | 1,725 | - | 12,181 | 16,758 |
| Profit for the financial period | - | - | - | 1,510 | 1,510 |
| Total recognised income and expense for the period | - | - | - | 1,510 | 1,510 |
| Tax on share options taken directly to reserves | - | - | - | (52) | (52) |
| Dividends paid | - | - | - | (1,312) | (1,312) |
| Issue of shares | 67 | 957 | (1,020) | - | 4 |
| Share based payment charge credited to reserves | - | - | - | 459 | 459 |
| Total change in equity for the period | 67 | 957 | (1,020) | 605 | 609 |
| At 27 September 2009 | 2,919 | 2,682 | (1,020) | 12,786 | 17,367 |

The nature and purpose of each reserve is explained below:

Share capital – represents the nominal value of shares in issue.

Share premium account – the accumulated amount subscribed for share capital in excess of nominal value.

EBT Reserve – the cost of shares purchased by the EBT to satisfy employee share awards.

Retained earnings – the cumulative income and expenses recognised in the income statement together with cumulative income and expenses required to be taken directly to equity.

The notes on pages 39 to 62 form part of these financial statements.

Balance sheet

For the period ended 27 September 2009

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| | Note | 2009 £'000 | 2008 £'000 |
|---------------------------------|------|---------------|---------------|
| Non-current assets | | | |
| Intangible assets | 13 | 193 | 201 |
| Property, plant and equipment | 14 | 23,557 | 22,436 |
| Prepaid operating lease charges | 16 | 1,239 | 1,319 |
| | | 24,989 | 23,956 |
| Current assets | | | |
| Inventories | 17 | 1,650 | 1,831 |
| Trade and other receivables | 18 | 552 | 447 |
| Prepayments | | 1,899 | 1,614 |
| Prepaid operating lease charges | 16 | 113 | 106 |
| Cash and cash equivalents | 19 | 3,056 | 3,587 |
| | | 7,270 | 7,585 |
| Total assets | | 32,259 | 31,541 |
| Current liabilities | | | |
| Trade payables | 20 | 3,411 | 4,492 |
| Other tax and social security | | 1,797 | 2,064 |
| Accruals | 21 | 4,338 | 3,924 |
| Corporation tax liabilities | | 901 | 751 |
| Provisions | 23 | 132 | - |
| | | 10,579 | 11,231 |
| Non-current liabilities | | | |
| Accruals | 21 | 2,192 | 1,950 |
| Deferred tax liabilities | 22 | 1,753 | 1,602 |
| Provisions | 23 | 368 | - |
| | | 4,313 | 3,552 |
| Total liabilities | | 14,892 | 14,783 |
| Net assets | | 17,367 | 16,758 |
| Equity | | | |
| Share capital | 24 | 2,919 | 2,852 |
| Share premium account | | 2,682 | 1,725 |
| EBT Reserve | | (1,020) | - |
| Retained earnings | | 12,786 | 12,181 |
| Total equity | | 17,367 | 16,758 |

The notes on pages 39 to 62 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 7 December 2009 and signed on its behalf by: Stephen Gee, Frank Bandura, Directors

Registered Company Number: 2001576

Statement of cash flows

For the period ended 27 September 2009

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| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|--|--|
| Profit before taxation | 2,956 | 5,629 |
| Depreciation | 2,306 | 1,826 |
| Amortisation of prepaid operating lease charges | 117 | 113 |
| Amortisation of intangible assets | 70 | 70 |
| Share based payment charge | 459 | 349 |
| Net finance income | (16) | (108) |
| Provision for impairment and onerous lease costs | 1,708 | - |
| Loss on disposal of property, plant and equipment | 42 | - |
| Cash flows from operating activities before changes in working capital | 7,642 | 7,879 |
| Increase in inventories | (168) | (450) |
| Increase in receivables | (390) | (138) |
| (Decrease) / Increase in payables | (692) | 1,544 |
| Net cash inflow from operating activities before tax | 6,392 | 8,835 |
| Corporation tax paid | (1,197) | (1,225) |
| Net cash inflow from operating activities | 5,195 | 7,610 |
| Cash Flows from investing activities | | |
| Finance income | 38 | 122 |
| Payments to acquire intangible assets | (62) | (181) |
| Payments to acquire property, plant and equipment | (4,328) | (5,803) |
| Prepaid operating lease charges – lease premiums | (44) | - |
| Proceeds from sale of property, plant and equipment | - | 4 |
| Net cash outflow from investing activities | (4,396) | (5,858) |
| Cash flows from financing activities | | |
| Finance cost | (22) | (14) |
| Proceeds from issue of share capital | 4 | 15 |
| Equity dividends paid | (1,312) | (1,311) |
| Net cash outflow from financing activities | (1,330) | (1,310) |
| Net (decrease) / increase in cash and cash equivalents | (531) | 442 |
| Cash and cash equivalents at start of period | 3,587 | 3,145 |
| Cash and cash equivalents at end of period | 3,056 | 3,587 |

The notes on pages 39 to 62 form part of these financial statements.

Notes to the financial statements

For the period ended 27 September 2009

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I GENERAL INFORMATION

Carluccio's PLC is a public limited company incorporated in the United Kingdom with registration number 02001576.

The Company is domiciled in the United Kingdom and has its registered office at 35 Rose Street, Covent Garden, London WC2E 9EB. The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange.

2 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB") and as endorsed by the European Union ("EU").

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand, except where indicated otherwise. They are prepared on the historical cost basis as modified by share options measured at fair value through the income statement. The following standards and interpretations, issued by the IASB or IFRIC, have not been adopted by the Company as these were not effective for the 52 weeks ended 27 September 2009. The Company is currently assessing the impact these standards and interpretations will have on the presentation of its results in future periods. The adoption of IAS 1 will impact disclosure within the financial statements and the adoption of IFRS 3 will impact the basis of accounting for any future acquisitions.

- IAS 1 (Amendment) – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) – This amendment has been endorsed for use in the EU.
- IAS 23 (Amendment) – Borrowing costs (effective for annual periods beginning on or after 1 January 2009). This amendment has been endorsed for use in the EU.
- IAS 27 (Amendment) and IFRS 3 (revised) – Consolidated and separate financial statements and Business Combinations (effective for periods beginning on or after 1 July 2009). This amendment and revision has been endorsed for use in the EU.

- IFRS 2 (Amendments) – Vesting conditions and cancellations and group cash-settled share based payment transactions (effective for accounting periods beginning on or after 1 January 2009) and group cash-settled share based payment transactions (effective for accounting periods beginning on or after 1 January 2010). These amendments have been endorsed for use in the EU.
- IFRS 8 – Operating segments (effective for annual periods beginning on or after 1 January 2009) contains requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The standard is concerned only with disclosure and replaces IAS 14 – Segment reporting. IFRS 8 has been endorsed for use in the EU.

There have been other standards and interpretations issued that are considered to be not relevant and have not been included in the list above.

The directors do not anticipate that the adoption of these standards will have a material impact on the Company's financial statements in the period of application.

The significant accounting policies adopted by the Company are as follows:

Revenue

Revenue consists of sales to customers and franchise income excluding sales tax.

Sales to customers represents amounts received or receivable for goods and services provided in the normal course of business (net of VAT and voluntary gratuities left by customers for the benefit of employees). Revenue is recognised at the point of delivery of goods and services to customers.

Notes to the financial statements

For the period ended 27 September 2009

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Revenue (continued)

Franchise income comprises store opening fees and on-going fees. Store opening fees are negotiated between both parties and the precise terms are specific to each franchise agreement. Store opening fees are payable prior to the opening of each store and are recognised at that time. The first store opening fee is usually higher than subsequent store opening fees reflecting the substantial transfer of value that occurs between the Company and the franchisee prior to the opening of the first store. On-going fees are based on a percentage of franchisee turnover and are recognised throughout the year.

Share-based payments

The Company operates equity-settled share-based payment schemes under which share options are granted to employees and directors. The share option grants are measured at fair value as at the date of grant using an option pricing model. In 2009 the Company created a Long Term Incentive Plan (The Plan) under which share awards are made to directors and key employees (the participants). Share awards made under The Plan are measured at fair value as at the date of grant using a Black-Scholes model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition being satisfied, which are treated as vesting whether that market condition is satisfied or not, provided that all other performance conditions are satisfied.

At each balance sheet date, the cumulative expense is calculated. The fair value of each equity based award at the date of grant is applied to the estimated number of equity instruments that will ultimately vest. The fair value is subsequently apportioned over the length of time that the equity based awards will vest, upon the achievement of non-market and service conditions. In the case of an instrument subject to a market condition it will be treated as vested as described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with the corresponding movement in equity.

The Company has taken advantage of the transitional provisions of IFRS 2 and applied the requirements of this standard to equity settled awards granted after 7 November 2002 that had not vested before 25 September 2006, the date of transition to IFRS.

Employee Benefit Trust ("EBT")

The company has established two employee benefit trusts "Carluccio's Employee Benefit Trust No.1" and "Carluccio's Employee Benefit Trust No.2". The assets and liabilities of these trusts comprise shares in the company and loan balances due to Carluccio's Plc. The Company includes the EBTs within its accounts. The cost of the company's shares held by the EBT is deducted from equity. Any cash received by the EBT on disposal of the shares it holds is also recognised directly in equity.

Any shares held by the EBT are treated as cancelled for the purposes of calculating earnings per share.

Pre-opening expenses

The Company incurs expenditure on the creation and marketing of new caffè and foodshops prior to opening to the public and generating revenue. These costs are expensed in the period incurred.

Income taxes

In accordance with IAS 12, income taxes, current taxes and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and legislation that is enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. The balance sheet liability method is used to calculate the deferred tax, on an undiscounted basis, at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and legislation that is enacted or substantively enacted at the balance sheet date.

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Deferred tax assets are recognised only to the extent that it is probable that there will be sufficient taxable profit available to offset against the deductible temporary differences, carried forward tax credits or losses. Deferred tax is charged or credited directly to the income statement unless it relates to items charged or credited to equity in which case it is also dealt with in equity.

Intangibles

Computer Software

Computer software is stated at cost less accumulated amortisation and any impairment loss. Externally acquired or developed software and software licences are capitalised at the cost of bringing the software into use within the business. Computer software is only capitalised when it is separately identifiable and is not bundled with any computer hardware. Software that is bundled with hardware is treated as an integral part of the hardware and classified within property, plant and equipment. Computer software is considered to have a finite economic life of 3 years and is amortised over this period on a straight line basis through the cost of sales line or the administrative expenses line in the Income Statement. The classification is dependent on where the software is used: if in the caffès then amortisation is classified as part of cost of sales; if in the Head Office then as part of administrative expenses.

Trademarks

Where the Company incurs costs that protect the Carluccio's trademark in various territories around the World, such costs are capitalised and amortised over their estimated useful lives. Trademarks are stated at cost less accumulated amortisation and any impairment loss. Trademarks are considered to have a useful life of between 6 and 20 years. The resultant amortisation is included within administrative expenses in the Income Statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment loss. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Crockery, cutlery and utensils (CCU)

During the year under review, the Company has reclassified CCU balances from inventories to property, plant and equipment to more accurately reflect their use within the business. They are stated at cost less accumulated depreciation and any impairment loss. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. CCU balances are depreciated over their estimated useful lives. No prior year adjustment has been made as the amounts are immaterial.

Depreciation

Depreciation is calculated to write down the costs of assets over their estimated useful economic lives using the straight line method. The estimated useful lives are as follows:

Leasehold improvements – over the lease term
Furniture, fixtures, CCU and computer equipment – 3 to 10 years

Depreciation is charged to cost of sales in the Income Statement if the asset is used in the caffès and charged to administrative expenses in the Income Statement if the asset is used in Head Office.

Assets in the course of construction are not depreciated until the asset is ready for use.

Impairment

The Company considers at each balance sheet date whether there is any indication that assets have become impaired. If any such indication exists or when annual impairment testing for an asset is required, the Company makes an estimate of the recoverable amount. If the carrying value of the asset is higher than the recoverable amount (higher of value in use and fair value less costs to sell), a provision for impairment is made and charged to the income statement. In subsequent years, a previously recognised impairment provision may be reversed in whole or in part if there has been a change in the estimates used to determine the asset's recoverable amount.

Notes to the financial statements

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Dividends

Dividends to holders of equity instruments are recognised in the financial statements when appropriately authorised for payment and no longer at the discretion of the Directors.

Foreign currencies

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

Leases

Finance Leases

Leases classified as finance leases are those where the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other leases are classified as operating leases. After examining its portfolio of property leases, the Company has determined that none of its leases satisfy the criteria for classification as a finance lease and accordingly all property leases have been classified as operating leases.

Operating Leases

Leases other than those classified as finance leases are included as operating leases. The minimum lease payments under the terms of a lease are charged to the income statement on a straight line basis over the lease term. To the extent that any turnover based rent is payable, this is recognised when incurred.

Lease premiums

Lease premiums are usually paid as consideration to a landlord or an outgoing tenant of a property before the expiry of the lease term on that property. These payments are treated as prepaid operating lease costs and classified as such. These costs are subsequently amortised over the length of the lease term.

Lease incentives

The Company is able to secure lease incentives, such as rent-free periods for example, on certain of its properties by negotiation with the landlord. Lease incentives are deferred and amortised over the full lease term. They are included within current and non-current accruals on the balance sheet.

Onerous Leases

Where unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Inventories

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to dispose of the inventory.

Financial instruments

Financial assets

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for irrecoverable amounts.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Short-term deposits are classified as such where the original maturity of the deposit is 3 months or less.

Financial liabilities

The Company's financial liabilities consist only of trade and other payables and accruals, which are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under IFRS requires the Company to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed in more detail below.

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(A) Accruals

In order to provide for all valid liabilities which exist at the balance sheet date, the finance team is required to estimate and accrue for certain costs or expenses which have not been invoiced and therefore the amount of which cannot be known with certainty. Such accruals are based on the best judgement and past experience of management. Delayed billing in some significant expense categories such as utility costs can lead to sizeable levels of accruals. The total value of accruals as at the balance sheet date is set out in note 21.

(B) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue and are periodically reviewed for continued appropriateness. Changes to these estimates – the current rates of depreciation are set out in the accounting policies – can result in significant variations in the carrying value and amounts charged to the income statement as depreciation in a particular period.

(C) Share-based payments

The Company operates equity-settled share-based remuneration schemes for employees. Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by a binomial valuation model on the date of grant based on certain assumptions. The fair value of share awards made under The Plan is estimated using a Black-Scholes valuation model on the date of grant based on certain assumptions. These assumptions are discussed in note 24 and include among others the dividend growth rate, expected volatility, expected life of the options and the number of options expected to vest.

(D) Deferred taxation

The deferred tax liability provided in the accounts is based on temporary differences between the tax written down values of assets and liabilities in the accounts and their carrying values in the accounts and as such it is dependent on assumptions made in the Company's corporation tax computations. The assumptions on the proportion of certain elements of capital expenditure which will be eligible for tax relief are subjective and the final amounts agreed with HMRC could differ from the provision currently made in the financial statements.

(E) Franchise agreement

The Company is party to an option agreement relating to the Ireland operation – see note 29. The directors have estimated that the fair value of the option at the balance sheet date is nil, based on the fact that the first and only location has been trading for 18 months; the uncertainty of the future projected results of the franchisee and the difficult state of the Irish economy.

(F) Impairment

In carrying out the impairment review in accordance with International Accounting Standard 36 (IAS 36), it has been necessary to make a number of assumptions and estimates. These assumptions and estimates cover critical areas such as future cash flows arising from future business performance and rely in part on past performance providing a good guide to future performance. The actual results may differ materially from these assumptions and estimates and therefore the actual impairment loss may be different from that provided for.

4. SEGMENTAL INFORMATION

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

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

Notes to the financial statements

For the period ended 27 September 2009

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5. OPERATING PROFIT

Operating profit is stated after charging:

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|--|--|
| Operating lease rentals for land and buildings – minimum contract amounts | 4,792 | 4,000 |
| Operating lease rentals for land and buildings – turnover based amounts | 1,317 | 1,327 |
| Share based payment charge | 459 | 349 |
| Amortisation of intangible assets | 70 | 70 |
| Depreciation of property, plant and equipment | 2,306 | 1,826 |
| Amortisation of prepaid operating lease charges | 117 | 113 |
| Loss on the sale of property, plant and equipment | 42 | - |
| Pre-opening expenses (including pre-opening rent) | 1,080 | 1,159 |

Amounts payable to the Company's auditors, BDO LLP, in respect of both audit and non audit services:

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|--|--|--|
| Audit services – statutory audit of financial statements | 59 | 65 |
| Tax services | 103 | 94 |
| Other services | 9 | 8 |
| Total | 171 | 167 |

6. FINANCE INCOME

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|--------------------------|--|--|
| Bank interest receivable | 38 | 122 |

7. FINANCE EXPENSE

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|-----------------------|--|--|
| Bank interest payable | 22 | 14 |

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8. INCOME TAX EXPENSE

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|--|--|
| UK Corporation tax | | |
| Current tax on profits for the period | 1,347 | 1,394 |
| Adjustment in respect of prior periods | - | (65) |
| Total current tax | 1,347 | 1,329 |
| Deferred tax | | |
| Deferred tax on profits for the periods | 99 | 653 |
| Total deferred tax | 99 | 653 |
| Total expense for the period in the income statement | 1,446 | 1,982 |

The tax expense for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|--|--|--|
| Profit before taxation | 2,956 | 5,629 |
| Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 28% (2008: 29%) | 828 | 1,632 |
| Adjustments for the effect of: | | |
| Expenses not deductible for tax purposes | 509 | 299 |
| Adjustment to prior year tax charge | - | (65) |
| Effect of deferred tax on share based payments | 107 | 122 |
| Other adjustments | 2 | (6) |
| Total expense for the period in the income statement | 1,446 | 1,982 |

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For the period ended 27 September 2009

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9. EARNINGS PER SHARE

| Numerator | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|--|--|--|
| Profit for the financial period (basic earnings per share) | 1,510 | 3,647 |
| Provision for impairment | 1,394 | - |
| Share based payments net of tax | 511 | 462 |
| Pre-opening expenses net of tax | 778 | 823 |
| Adjusted profit for the financial period (adjusted earnings per share) | 4,193 | 4,932 |

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

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

| Denominator | 52 weeks ended 27 Sept 09 ('000) | 53 weeks ended 28 Sept 08 ('000) |
|---|--|--|
| Weighted average number of ordinary shares (basic earnings per share) | 57,044 | 57,005 |
| Impact of dilutive share options | 855 | 2,190 |
| Diluted number of ordinary shares (diluted earnings per share) | 57,899 | 59,195 |

| | 52 weeks ended 27 Sept 09 Pence | 53 weeks ended 28 Sept 08 Pence |
|-------------------------------------|--|--|
| Basic Earnings per Share | 2.6 | 6.4 |
| Diluted Earnings per Share | 2.6 | 6.2 |
| Adjusted Basic Earnings per Share | 7.4 | 8.7 |
| Adjusted Diluted Earnings per Share | 7.2 | 8.3 |

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10. DIVIDEND

The Directors are recommending the payment of a final dividend of 1.6p per Ordinary 5p share (2008:1.6p), subject to obtaining shareholder approval at the forthcoming Annual General Meeting (AGM) to be held on 5 February 2010. The dividend will be paid on 19 February 2010 to all shareholders on the register as at 18 December 2009. The amount of the final dividend is £913,000 (2008: £912,000). An interim dividend of £399,000 (2008: £399,000) or 0.7p per Ordinary 5p share (2008: 0.7p) was paid during the year. Therefore the total dividend for the year is 2.3p per Ordinary 5p share (2008: 2.3p), equivalent to £1,312,000 (2008: £1,311,000).

11. EMPLOYEES

| Staff costs (including directors) consist of: | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|--|--|
| Wages and salaries | 21,933 | 20,104 |
| Social security costs | 1,485 | 1,328 |
| Other pension costs | 30 | 31 |
| | 23,448 | 21,463 |
| Share-based payments (see note 24) | 459 | 349 |
| | 23,907 | 21,812 |

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

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|--------------------|--|--|
| Administration | 46 | 45 |
| Caffè & Food Shops | 1,520 | 1,424 |
| | 1,566 | 1,469 |

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For the period ended 27 September 2009

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12. RELATED PARTY TRANSACTIONS

The only related party transactions during the period comprised compensation of key management personnel, including directors.

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|--|--|
| Directors | | |
| Emoluments | 820 | 519 |
| Contributions to money purchase pension schemes | 30 | 31 |
| | 850 | 550 |
| Directors and key management personnel | | |
| Emoluments | 1,050 | 798 |
| Contributions to money purchase pension schemes | 30 | 31 |
| | 1,080 | 829 |
| Share based payments | 210 | 188 |
| | 1,290 | 1,017 |

Key management personnel encompasses those employees, not only directors, who have authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

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

| | 52 weeks ended 27 Sept 09 £'000 | 53 weeks ended 28 Sept 08 £'000 |
|---|--|--|
| Emoluments | 318 | 210 |
| Contributions to money purchase pension schemes | 18 | 18 |
| | 336 | 228 |

During the period, 2 directors (2008: 2) accrued benefits under money purchase pension schemes and no directors (2008: nil) exercised share options.

Further details of directors' remuneration and share options are given in the Director's Report on pages 27 to 29.

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13. INTANGIBLE ASSETS

| | Trademarks £'000 | Computer software £'000 | Total £'000 |
|-------------------------|---------------------|-------------------------------|----------------|
| Cost | | | |
| At 23 September 2007 | 33 | 402 | 435 |
| Additions | 110 | 71 | 181 |
| At 28 September 2008 | 143 | 473 | 616 |
| Additions | 6 | 56 | 62 |
| Disposals | (2) | (315) | (317) |
| At 27 September 2009 | 147 | 214 | 361 |
| Amortisation | | | |
| At 23 September 2007 | 13 | 332 | 345 |
| Charge for the period | 6 | 64 | 70 |
| At 28 September 2008 | 19 | 396 | 415 |
| Charge for the period | 11 | 59 | 70 |
| Elimination on disposal | (2) | (315) | (317) |
| At 27 September 2009 | 28 | 140 | 168 |
| Net book values | | | |
| At 27 September 2009 | 119 | 74 | 193 |
| At 28 September 2008 | 124 | 77 | 201 |
| At 23 September 2007 | 20 | 70 | 90 |

Notes to the financial statements

For the period ended 27 September 2009

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14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements £'000 | Furniture, fixtures, CCU and computer equipment £'000 | Assets in the course of construction £'000 | Total £'000 |
|-------------------------|------------------------------------|--|---|----------------|
| Cost | | | | |
| At 23 September 2007 | 16,328 | 6,464 | 374 | 23,166 |
| Additions | 3,183 | 1,556 | 1,064 | 5,803 |
| Reclassification | 367 | 7 | (374) | - |
| Disposals | - | (45) | - | (45) |
| At 28 September 2008 | 19,878 | 7,982 | 1,064 | 28,924 |
| Additions | 2,062 | 2,004 | 611 | 4,677 |
| Reclassification | 862 | 202 | (1,064) | - |
| Disposals | (20) | (1,386) | - | (1,406) |
| At 27 September 2009 | 22,782 | 8,802 | 611 | 32,195 |
| Depreciation | | | | |
| At 23 September 2007 | 2,225 | 2,478 | - | 4,703 |
| Charge for period | 921 | 905 | - | 1,826 |
| Elimination on Disposal | - | (41) | - | (41) |
| At 28 September 2008 | 3,146 | 3,342 | - | 6,488 |
| Charge for period | 1,135 | 1,171 | - | 2,306 |
| Elimination on Disposal | (20) | (1,344) | - | (1,364) |
| Impairment Charge | 1,138 | 70 | - | 1,208 |
| At 27 September 2009 | 5,399 | 3,239 | - | 8,638 |
| Net book value | | | | |
| At 27 September 2009 | 17,383 | 5,563 | 611 | 23,557 |
| At 28 September 2008 | 16,732 | 4,640 | 1,064 | 22,436 |
| At 23 September 2007 | 14,103 | 3,986 | 374 | 18,463 |

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15. IMPAIRMENT

In accordance with IAS 36, the Company has carried out its impairment review of the carrying value of property, plant and equipment, taking into account the current trading performance and anticipated future cashflows from individual cash generating units (locations). For 2 locations, the recent performance and anticipated future cash flows in 2010 and beyond indicated that they had no value in use to the business and accordingly, the directors have written down the assets to their fair value. Using the directors' knowledge and experience of the restaurant market, the carrying value for these locations has been written down by £1,208,000 to £182,000. This reflects the value of the equipment that can be transferred and used in other locations.

In addition to the provision for impairment of £1,208,000 (2008: nil), a provision for onerous leases has been made of £500,000 (2008: nil). This reflects the fact that the recessionary pressures on the economy and depressed UK property market conditions may mean that it takes a long length of time to dispose of the locations and that during this time, further losses are likely to be incurred.

16. PREPAID OPERATING LEASE CHARGES

| | 2009 £'000 | 2008 £'000 |
|--------------------------------|---------------|---------------|
| Held within non-current assets | 1,239 | 1,319 |
| Held within current assets | 113 | 106 |
| | 1,352 | 1,425 |

Prepaid operating lease charges represent lease premiums paid for the acquisition of prime sites, which are charged to the cost of sales line of the income statement over the period of the lease.

17. INVENTORIES

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|---------------|---------------|
| Materials | 437 | 399 |
| Finished goods and goods for resale | 1,213 | 1,432 |
| | 1,650 | 1,831 |

In the Directors' opinion, there is no material difference between the replacement cost of the inventories and the amounts stated above.

The Company recognised inventory expensed of £23,500,000 in the income statement in the 52 weeks to 27 September 2009 (2008: £21,164,000).

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For the period ended 27 September 2009

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18. TRADE AND OTHER RECEIVABLES

| | 2009 £'000 | 2008 £'000 |
|-------------------|---------------|---------------|
| Trade receivables | 425 | 327 |
| Other receivables | 127 | 120 |
| | 552 | 447 |

All amounts are expected to be received within one year.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of £3,056,000 (2008: £3,587,000) comprise cash and short-term deposits. The carrying amount of these assets approximates their fair value.

20. TRADE PAYABLES

| | 2009 £'000 | 2008 £'000 |
|----------------|---------------|---------------|
| Trade payables | 3,411 | 4,492 |
| | 3,411 | 4,492 |

All amounts fall due for payment within one year.

21. ACCRUALS

| | 2009 £'000 | 2008 £'000 |
|--------------------------------------|---------------|---------------|
| Held within current liabilities: | | |
| Accruals | 4,192 | 3,791 |
| Accrued rent | 146 | 133 |
| | 4,338 | 3,924 |
| Held within non-current liabilities: | | |
| Accrued rent | 2,192 | 1,950 |
| | 2,192 | 1,950 |
| Total accruals | 6,530 | 5,874 |

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22. DEFERRED TAX LIABILITIES

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| At the start of the period | 1,602 | 478 |
| Charge to income statement (see note 8) | 99 | 653 |
| Movement taken directly to equity (see statement of changes in equity) | 52 | 471 |
| At the end of the period | 1,753 | 1,602 |
| The deferred tax liability can be analysed as follows: | | |
| Accelerated capital allowances | 1,935 | 1,846 |
| Deferred tax on share options | (53) | (237) |
| Other temporary differences | (129) | (7) |
| | 1,753 | 1,602 |

There is no unprovided deferred tax.

23. PROVISIONS

| | 2009 £'000 | 2008 £'000 |
|-------------------------------------|---------------|---------------|
| Provision for onerous leases | | |
| Opening balance | - | - |
| Charge in period | 500 | - |
| Paid in period | - | - |
| Closing balance | 500 | - |
| Current | 132 | - |
| Non-current | 368 | - |
| | 500 | - |

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24. SHARE CAPITAL

| | 2009 Number (‘000) | 2008 Number (‘000) | 2009 £’000 | 2008 £’000 |
|---|--------------------------|--------------------------|------------------|---------------|
| Authorised Share Capital | | | | |
| Ordinary shares of 5p each | 150,000 | 150,000 | 7,500 | 7,500 |
| | 150,000 | 150,000 | 7,500 | 7,500 |
| | | | | |
| | 2009 Number (‘000) | 2008 Number (‘000) | 2009 £’000 | 2008 £’000 |
| Allotted, called up and fully paid | | | | |
| Ordinary shares of 5p each | 58,373 | 57,038 | 2,919 | 2,852 |
| | 58,373 | 57,038 | 2,919 | 2,852 |
| | | | | |
| Movements in share capital | | | Number (‘000) | £’000 |
| At 23 September 2007 | | | 56,978 | 2,849 |
| Exercise of share options | | | 60 | 3 |
| At 28 September 2008 | | | 57,038 | 2,852 |
| Issue of shares | | | 1,330 | 67 |
| Exercise of share options | | | 5 | - |
| At 27 September 2009 | | | 58,373 | 2,919 |

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. In addition the Company has created a Long Term Incentive Plan (The Plan) during 2009 for directors and key staff members which awards shares to those individuals qualifying for membership of the Plan.

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

During the year, the Company allotted 1,330,000 (2008: nil) Ordinary 5p shares pursuant to share awards made under The Plan. The weighted average issue price of those share awards made under The Plan was 77 pence (2008: nil) with the total consideration being £1,020,000. In addition, 5,000 (2008: 59,375) Ordinary 5p shares were issued following the exercise of options. The weighted average exercise price for the options was 65 pence (2008: 25 pence) with the total consideration being £3,250 (2008: £14,688). The weighted average share price during the period of exercise was 84 pence (2008: 145 pence).

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A) SHARE OPTION SCHEMES

Approved share option scheme

| Date Granted | Number Outstanding 28/09/08 | Number Granted | Number Exercised | Number Lapsed | Number Outstanding 27/09/09 | Price (Pence) | Date Exercisable From | Expiry Date |
|-----------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------------|------------------|-----------------------------|-------------|
| 09/12/02 | 62,500 | - | - | - | 62,500 | 16 | 09/12/05 | 09/12/12 |
| 28/11/03 | 265,000 | - | - | - | 265,000 | 20 | 28/11/06 | 28/11/13 |
| 19/02/04 | 325,000 | - | - | - | 325,000 | 31 | 19/02/07 | 19/02/14 |
| 21/01/05 | 230,000 | - | - | - | 230,000 | 40 | 21/01/08 | 21/01/15 |
| 22/07/05 | 237,250 | - | (5,000) | - | 232,250 | 65 | 22/07/08 | 22/07/15 |
| 09/12/05 | 402,810 | - | - | (6,000) | 396,810 | 95 | 09/12/08 | 09/12/15 |
| 14/12/05 | 221,185 | - | - | - | 221,185 | 95 | 14/12/08 | 14/12/15 |
| 15/12/06 | 204,579 | - | - | (3,000) | 201,579 | 165 | 15/12/09 | 15/12/16 |
| 07/12/07 | 232,823 | - | - | (17,000) | 215,823 | 151 | 07/12/10 | 07/12/17 |
| Total | 2,181,147 | - | (5,000) | (26,000) | 2,150,147 | | | |

Exercise prices for share options granted under the approved share option scheme range from 16 pence to 165 pence (2008: 10 pence to 165 pence). The remaining weighted average contractual life of the options is 5.6 years (2008: 7 years).

Unapproved share option scheme

| Date Granted | Number Outstanding 28/09/08 | Number Granted | Number Exercised | Number Lapsed | Number Outstanding 27/09/09 | 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 |
| 07/12/07 | 356,177 | - | - | - | 356,177 | 151 | 07/12/10 | 07/12/17 |
| Total | 3,456,853 | - | - | - | 3,456,853 | | | |

Exercise prices for share options granted under the unapproved scheme range from 20 pence to 165 pence (2008: 20 pence to 165 pence). The remaining weighted average contractual life of the options is 6 years (2008: 7 years).

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

| | 2009 weighted average exercise price (pence) | 2009 Number | 2008 weighted average exercise price (pence) | 2008 Number |
|--|--|----------------|--|----------------|
| Outstanding at the beginning of the year | 92 | 5,638,000 | 86 | 5,210,875 |
| Granted during the year | - | - | 151 | 632,000 |
| Lapsed during the year | 139 | 26,000 | 132 | 145,500 |
| Exercised during the year | 65 | 5,000 | 25 | 59,375 |
| Outstanding at the end of the year | 92 | 5,607,000 | 92 | 5,638,000 |
| Exercisable at the end of the year | 73 | 4,365,500 | 34 | 1,542,500 |

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

The weighted average remaining lives of the options outstanding at the end of the period is 5.6 years (2008: 7 years).

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 2008 are listed below. The Company did not grant any share options in 2009 under this scheme.

| | 2009 | 2008 |
|--|------|------|
| Weighted average share price at grant date (pence) | - | 151 |
| Exercise price (pence) | - | 151 |
| Expected volatility (%) | - | 25 |
| Expected dividend yield (%) | - | 1.6 |
| Risk free interest rate (%) | - | 4.6 |
| Weighted average fair value of options granted (£'000) | - | 201 |
| Vesting Period (years) | - | 3 |

The expected volatility is measured by considering the share price volatility of the Company's shares over the most recent two years from grant date. Option grants made in 2008 have a maximum contractual life of 10 years.

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

Details of directors' share options are contained on pages 27 to 28 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.

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B) LONG TERM INCENTIVE PLAN (THE PLAN)

| Date Granted | Number Outstanding 28/09/08 | Number Granted | Number Exercised | Number Lapsed | Number Outstanding 28/09/08 | Hurdle Price (Pence) | Date Exercisable From |
|-----------------|-----------------------------------|-------------------|---------------------|------------------|-----------------------------------|----------------------------|-----------------------------|
| 06/03/09 | - | 430,000 | - | (5,000) | 425,000 | 72 | 06/03/12 |
| 05/06/09 | - | 900,000 | - | - | 900,000 | 97 | 05/06/12 |
| Total | - | 1,330,000 | - | - | 1,325,000 | - | - |

In March 2009, the Company formed The Plan for Executive Directors and other key employees. Under The Plan Carluccio's Employee Benefit Trust No.1 (EBT No.1) acquired shares in the Company for the purpose of satisfying share awards to employees under The Plan. The interest in the shares is held jointly by the individual employee and Carluccio's Employee Benefit Trust No.2 (EBT No.2). The interest of EBT No.2 broadly represents the closing market price on the date the award is made plus 5% per annum for the 3 year vesting period. Above this level, the interest accrues to the participants in the scheme.

The awards vest over a 3 year time period and are dependent on continuous employment in all cases. In addition those awards made to Executive Directors have further performance conditions attached to them. These provide that 20% of awards vest on the achievement of compounded growth in Earnings Per Share (EPS) at a minimum hurdle rate in excess of inflation. 100% of the awards only vest on the achievement of compounded growth in EPS at an upper hurdle rate in excess of inflation.

Dividend rights in relation to the shares awarded have been waived during the vesting period. Thereafter they will be allocated between EBT No.2 and participants of The Plan in proportion to their respective ownership as defined above. Voting rights in relation to the shares are waived for as long as joint ownership between the participant and EBT No.2 is retained.

In determining the fair value of share awards under The Plan, the Company has used a Black-Scholes model. The significant assumptions made in respect of the grants made in 2009 are listed below. The Plan was not in existence in 2008.

| | 2009 | 2008 |
|--|------|------|
| Weighted average share price at grant date (pence) | 77 | - |
| Exercise price (pence) | 89 | - |
| Expected volatility (%) | 32 | - |
| Expected dividend yield (%) | 3 | - |
| Risk free interest rate (%) | 3.6 | - |
| Weighted average fair value of options granted (£'000) | 271 | - |
| Vesting Period (years) | 3 | - |

The expected volatility is measured by considering the share price volatility of the Company's shares since flotation, covering a period of 3.5 years. Share awards under The Plan do not have a maximum contractual life. However, in calculating the fair value of share awards, an assumption has been made that employees will seek to realise their beneficial interest under The Plan within 9.5 years.

Details of directors' beneficial interests in share awards made under The Plan are contained on page 28 of the Directors' Report.

Notes to the financial statements

For the period ended 27 September 2009

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25. CAPITAL COMMITMENTS

| | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Capital commitments contracted but not provided for in the financial statements: | 11 | 402 |

Unprovided capital commitments relate to the construction costs of sites scheduled to open after the period end.

26. FUTURE COMMITMENTS UNDER OPERATING LEASES

The total future rental payments outstanding under non-cancellable operating leases as at 27 September 2009 are set out below:

| Land and buildings | 2009 £'000 | 2008 £'000 |
|---------------------|---------------|---------------|
| Within 1 year | 4,883 | 4,440 |
| Within 2 to 5 years | 19,960 | 18,216 |
| After 5 years | 63,474 | 61,843 |
| | 88,317 | 84,499 |

Leases for land and buildings are subject to rent reviews.

Rent agreements on 18 sites (2008: 13) includes an element of contingent or turnover related rent. This is excluded from the commitments above as the Company is not committed to these payments at the balance sheet date.

27. PENSIONS

The Company makes contributions to personal pension plans of directors. The total amount paid during the period was £30,000 (2008: £31,000).

The Company operates a stakeholder pension scheme for its employees. The Company does not contribute to this scheme.

The Company does not operate a defined benefit scheme.

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28. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Company is exposed to certain risks arising from its use of financial instruments. IFRS 7 requires that the Company provides the following disclosures on its financial assets and liabilities as set out below.

The Company's financial assets and liabilities are shown on the face of the balance sheet and in the table below. The Company has operated with a net cash balance throughout the period and consequently has no bank debt or other loan obligations.

| Financial assets – loans and receivables | 2009 £'000 | 2008 £'000 |
|--|---------------|---------------|
| Trade and other receivables | 552 | 447 |
| Cash and cash equivalents | 3,056 | 3,587 |
| | 3,608 | 4,034 |
| | | |
| Financial liabilities | 2009 £'000 | 2008 £'000 |
| Trade payables | 3,411 | 4,492 |
| Accruals | 4,192 | 3,791 |
| Provisions | 500 | - |
| | 8,103 | 8,283 |

In the Directors' opinion, there is no material difference between the book value and the fair value of any of the financial instruments.

The Company has some exposure to credit risk, interest rate risk, liquidity risk and currency risk. There has been no material change to the financial instruments used within the business during the period and therefore no material changes to the risk management policies put in place by the Board.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day to day responsibility for designing and operating systems and controls which meet these risk management objectives to the finance and administration function. The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

Notes to the financial statements

For the period ended 27 September 2009

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Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Company's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2009 and 2008.

| | 2009 £'000 | 2008 £'000 |
|--------------------------------------|---------------|---------------|
| Trade and other receivables are due: | | |
| Current | 406 | 366 |
| Within 30-60 days | 89 | 36 |
| Within 61-90 days | 14 | 21 |
| 91 days and over | 43 | 24 |
| | 552 | 447 |

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. In practice, the Company has limited exposure to credit risk as the receivables in the balance sheet are predominantly receivable from established customers or landlords. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the risk of default is considered to be low. As a result, there are no material debts which are past due, and no provision for doubtful debts has been made in the financial statements.

Company policy is that cash collected at its locations is banked on a regular and frequent basis to ensure that security risks are minimised and that cash resources are utilised efficiently. Cash is deposited with UK-based financial institutions, in funds that are readily converted into known amounts of cash and the credit risk on such assets is considered to be low.

Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Company's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Surplus funds are invested in short-term secured accounts such that the Company is not unduly exposed to market interest rate fluctuations.

Interest income received on such deposits in the period amounted to £21,000 (2008: £105,000) and represented 0.5% (2008: 1.9%) of profit before taxation adjusted for interest receivable. A 2% movement in market interest rates would not have had a material impact on profits in either the current or comparative periods.

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Liquidity risk

Liquidity risk arises from the Company's management of working capital, including cash and cash equivalents and fixed term deposits. The Board's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as and when they become due.

Detailed budgeted cashflow forecasts are prepared for the Board setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on its cash balances.

The Company has no committed bank borrowing facilities available to it (2008: £Nil) other than an overdraft facility of £3,000,000 (2008: £1,500,000).

| | 2009 £'000 | 2008 £'000 |
|---|---------------|---------------|
| Trade payables and accruals are due for settlement: | | |
| Current | 4,953 | 5,304 |
| Within 30-60 days | 2,519 | 2,633 |
| Within 61-90 days | 96 | 307 |
| 91 days and over | 535 | 39 |
| | 8,103 | 8,283 |

Currency Risk

The Company sources some of its products directly from Italy which exposes it to fluctuations in the rate of exchange between the Euro and the Pound Sterling. This exposure is managed by buying contracts for Euros in the forward foreign exchange markets at confirmed exchange rates. Contracts vary in length from several days to 6 months. No such contracts were outstanding at the year end.

Capital

The Company considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous period.

The primary objective of the Company is to maximise the return for equity shareholders through a combination of capital growth and equity distributions. In order to achieve its objectives in this area, the Company seeks to maintain a capital structure appropriate to its size, strategy for growth and underlying business risks.

Notes to the financial statements

For the period ended 27 September 2009

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29. FRANCHISE AGREEMENTS

Middle East

On 21 July 2008, the Company granted a franchise to Landmark Food Limited, a subsidiary of the Landmark Group, one of the largest retail conglomerates in the Middle East. The agreement is for an initial ten year period with the possibility of a further ten year extension. The development rights are for six countries in the Middle East. The first location opened in March 2009 in Dubai.

Ireland

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 Carluccios' 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 the Company a call option and the franchisee a put option. Both are exercisable after 7 years. The directors have estimated that the fair value of the option at the balance sheet date is nil, based on the actual and projected results of the franchisee.

Carluccio's

CARLUCCIO'S PLC

(incorporated and registered in England under number 2001576)

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This document is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice of Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at **10 a.m. on 5 February 2010 at Carluccio's, Garrick Street, London WC2E 9EB** is set out on pages 64 to 68 of this document.

Whether or not you propose to attend the Annual General Meeting, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received not less than 48 hours before the time of the holding of the Annual General Meeting.

Notice of Annual General Meeting

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Carluccio's

CARLUCCIO'S PLC

(incorporated and registered in England under number 2001576)

Registered Office:

35 Rose Street, Covent Garden, London WC2E 9EB

7 December 2009

To the Shareholders of Carluccio's plc Shares

2010 ANNUAL GENERAL MEETING

I am pleased to be writing to you with details of our Annual General Meeting ("AGM") and enclosing a copy of the 2009 financial statements. The AGM is being held at 10 a.m. on 5 February 2010 at Carluccio's, Garrick Street, London WC2E 9EB. The formal notice of Annual General Meeting is set out on pages 64 to 68 of this document.

If you would like to vote on the resolutions but cannot come to the AGM, please fill in the proxy form sent to you with this notice and return it to our registrars as soon as possible. They must receive it by 10 a.m. on 3 February 2010.

FINAL DIVIDEND

Shareholders are being asked to approve a final dividend of 1.6 pence per ordinary share for the 52 week period ended 27 September 2009. If you approve the recommended final dividend, this will be paid on 19 February 2010 to all ordinary shareholders who were on the register of members on 18 December 2009.

RE-ELECTION OF DIRECTORS

The Company's Articles of Association require that one third of the Directors must submit themselves for re-election each year by rotation. At the AGM, Simon Kossoff and I will submit ourselves for re-election by rotation.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We are also asking shareholders to approve a number of amendments to our articles of association primarily to reflect the implementation of the remaining provisions of the Companies Act 2006 on 1 October 2009. An explanation of the main changes between the proposed and the existing articles of association is set out on page 71 of this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours on any weekday (public holidays excepted) at the registered office of the Company from the date of this document until the time of the AGM and at Carluccio's, Garrick Street, London WC2E 9EB from 15 minutes before the AGM until it ends:

- copies of the executive directors' service contracts;
- copies of letters of appointment of the non-executive directors; and
- a copy of the proposed new articles of association of the Company, and a copy of the existing articles of association marked to show the changes being proposed in resolution 11.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 65 to 66 of this document.

RECOMMENDATION

The Directors consider that all the resolutions set out in the Notice of Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend that you vote in favour of each of these resolutions, as each of the Directors intends to do in respect of his own beneficial holding of shares in the Company.

Yours sincerely,

STEPHEN GEE
Chairman

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EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 8 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 9 to 11 (inclusive) are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: ANNUAL REPORT AND ACCOUNTS

The Directors will present to shareholders at the Annual General Meeting the Annual Report and Accounts for the 52 week period ended 27 September 2009 together with their report and the independent Auditor's report on those accounts.

Resolution 2: DECLARING A FINAL DIVIDEND

The Board is recommending a final ordinary dividend of 1.6 pence per share, for the 52 week period ended 27 September 2009. If shareholders approve the recommended dividend, it will be paid on 19 February 2010 to shareholders on the register at the close of business on 18 December 2009.

Resolutions 3 and 4: RE-ELECTION OF DIRECTORS

Stephen Gee and Simon Kossoff will submit themselves for re-election by rotation pursuant to the Articles of Association. Biographical details of each of the Directors are contained on page 33 of the Company's Annual Report and Accounts for the 52 week period ended 27 September 2009.

Resolution 5: RE-APPOINTMENT OF THE AUDITOR

The Directors are proposing the re-appointment of BDO Stoy Hayward LLP as auditor to the Company.

Resolution 6: AUTHORITY TO DETERMINE AUDITOR'S REMUNERATION

It is normal practice for a company's Directors to be authorised to fix the Auditor's remuneration and shareholders' approval to do so is sought in this resolution.

Resolution 7: AUTHORITY TO ALLOT SHARES

This resolution is to renew the general authority to allot shares given to the Board at the 2009 Annual General Meeting. The resolution will give the Board the authority to allot up to 19,457,553 ordinary shares of 5 pence each. This represents approximately one-third of the Company's issued ordinary share capital as at the date of this notice. The Directors have no present intention to use this authority which will expire 15 months after the passing of this resolution or, if earlier, at the end of the Annual General Meeting to be held in 2011. It is the Directors' intention to seek renewal of this authority annually.

Resolution 8: POLITICAL DONATIONS

The Company has not made any donations to political parties in the European Union ("EU") in 2009 and it is the Company's current policy not to do so. However, the Companies Act 2006 defines the terms 'political donation', 'political parties', 'political organisation' and 'political expenditure' very widely and, as a result, in certain circumstances donations intended for charitable or similar purposes may now be regarded as political in nature.

In order to comply with these obligations and to avoid any inadvertent infringement of the Companies Act 2006, the Directors of the Company consider it prudent to seek shareholders' approval for a general level of donation. Resolution 8 seeks authority for the Company to make donations to EU political organisations or to incur EU political expenditure not exceeding £250,000 in total during the period from the date of the Annual General Meeting, until the conclusion of the Annual General Meeting held in 2011, or, if earlier, 15 months after the date of the passing of this resolution.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING continued

Resolution 9:

ALLOTMENT OF SHARES FOR CASH

If equity securities (as defined by section 560 of the Companies Act 2006) are to be allotted and are to be paid for in cash, section 561(1) of that Act requires that those new equity securities are offered in the first instance to existing shareholders in proportion to the number of ordinary shares they each hold at that time. The entitlement to be offered the new shares first is known as a 'pre-emption right'.

There may be circumstances, however, when it is in the interests of the Company for the Directors to be able to allot some new shares for cash other than by way of a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. This also applies to the sale of any shares held by the Company in treasury for cash. Resolution 9 asks shareholders to do this, but only for equity securities having a maximum aggregate nominal value of £145,931.65 (which includes the sale of any treasury shares) which is equivalent to approximately 5% of the Company's issued ordinary share capital as at the date of this notice. If the Directors wish, other than by a pre-emptive offer to existing shareholders, to allot for cash new shares which would exceed this limit they would first have to request the shareholders to waive their pre-emption rights in respect of the new shares which exceed it.

Under the pre-emption guidelines issued by the investment protection committee of the Association of British Insurers, the Company should not issue equity securities constituting more than 7.5% of the issued ordinary share capital over a 3 year rolling period without prior consultation with shareholders. The Directors do not intend to use the authority to exceed this limit without obtaining the approval of shareholders.

There are legal, regulatory and practical reasons, why it may not always be possible to issue new shares under a pre-emptive issue to some shareholders, particularly those resident overseas. To cater for this, Resolution 9, authorising the Directors to allot the new shares by way of pre-emptive issue, also permits the Directors to make appropriate exclusions or arrangements to deal with such difficulties.

The authority conferred by this resolution will expire 15 months after the passing of this resolution or, if earlier, at the end of the Annual General Meeting to be held in 2011.

Resolution 10:

AUTHORISING THE MARKET PURCHASE OF ITS OWN SHARES BY THE COMPANY

The Company is seeking authority to make market purchases of its own shares. This does not mean that the Company will buy its own shares at any particular price or indeed at all. The authority will expire 15 months after the passing of this resolution or, if earlier, at the end of the Annual General Meeting to be held in 2011, and the Directors intend to seek renewal of this power annually.

The resolution specifies that the Company can buy up to 5,837,266 ordinary shares (representing 10 per cent of the Company's issued ordinary share capital) and the maximum and minimum prices at which the Company can buy them, reflecting the requirements of the Companies Act 2006 and the recommendations of the Association of British Insurers.

The Company would only buy shares on The London Stock Exchange and the Board would only use the power to buy shares after considering the effect on earnings per share and the benefits for longer term shareholders.

Any shares purchased would either be cancelled or would be held by the Company as treasury shares, in which case they would carry no voting rights and no entitlement to receive any dividend for as long as they are held as treasury shares.

The Company has not purchased any ordinary shares since obtaining the authority to do so at the Annual General Meeting in 2009.

Resolution 11:

ADOPTION OF NEW ARTICLES OF ASSOCIATION

It is proposed in resolution 11 to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of changes in UK company law brought about by the final provisions of the Companies Act 2006 which came into force on 1 October 2009.

The principal changes introduced in the New Articles are summarised at the Appendix to this document on page 71.

Notice of Annual General Meeting

This year's annual general meeting will be held at 10am on 5 February 2010 at Carluccio's, Garrick Street, London WC2E 9EB. You will be asked to consider and pass the resolutions below. Resolutions 9 to 11 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. To receive and adopt the Company's Annual Report and Accounts for the 52 week period ended 27 September 2009.
2. To declare a final dividend of 1.6 pence per ordinary share for the 52 week period ended 27 September 2009.
3. That Stephen Gee, who retires by rotation pursuant to Article 66 of the Company's Articles of Association and who, being eligible, offers himself for re-election, be re-elected as a Director.
4. That Simon Kossoff, who retires by rotation pursuant to Article 66 of the Company's Articles of Association and who, being eligible, offers himself for re-election, be re-elected as a Director.
5. That BDO Stoy Hayward LLP be reappointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next General Meeting at which accounts are laid before the Company.
6. To authorise the Directors to determine the remuneration of the Auditors.
7. That in accordance with section 551 of the Companies Act 2006 (the "Act"), the directors be and they are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the Act) up to an aggregate nominal amount of £972,877.65 provided that this authority shall expire on the date of the next annual general meeting of the Company in 2011 or 15 months following the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot such equity securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

8. That in accordance with section 366 of the Companies Act 2006, the Company and all companies which are subsidiaries of the Company at any time during the period for which this resolution has effect be and are hereby authorised:

- (a) to make political donations to political parties;
- (b) to make political donations to political organisations other than political parties; and/or
- (c) incur political expenditure in a total aggregate amount not exceeding £250,000,

provided that this authority shall expire at the conclusion of the annual general meeting of the Company in 2011 or 15 months following the passing of this resolution, whichever is the earlier. For the purposes of this resolution the terms 'political donation', 'political parties', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Companies Act 2006.

Special resolutions

9. That subject to the passing of resolution 7 in the notice of meeting of which this resolution forms part, the directors be and they are empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 7 of the notice of meeting of which this resolution forms part, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with any rights issue or other issue or offer by way of rights (including, without limitation, under an open offer or similar arrangement) to holders of equity securities, in proportion to their respective entitlements to such equity securities, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - (b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £145,931.65,

provided that this power shall expire provided that this authority shall expire on the date of the next annual general meeting of the Company in 2011 or 15 months following the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

10. That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) on the London Stock Exchange of ordinary shares of 5 pence each in the capital of the Company provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 5,837,266;
- (b) the minimum price which may be paid for an ordinary share is 5 pence;
- (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 quotation for an ordinary share, as derived from the AIM Appendix of 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 hereby conferred shall expire on the conclusion of the Company's annual general meeting in 2011 or 15 months following the passing of this resolution, whichever is the earlier; and
- (e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority that 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.

11. That with effect from conclusion of the meeting:

- (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

7 December 2009

By order of the Board

FRANK BANDURA
Company Secretary

Registered Office:

35 Rose Street, Covent Garden, London WC2E 9EB

Registered in England and Wales No. 2001576

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Frank Bandura on 020 75803050.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU no later than 10 a.m. on 3 February 2010.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 7 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 10 a.m. on 3 February 2010 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. As at 21 December 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 58,372,660 ordinary shares, carrying one vote each. However, Carluccio's Employee Benefit Trust holds 1,330,000 shares jointly with the participants of the Long Term Incentive Plan. Whilst the shares are held jointly, the Trust has waived voting rights. The Company holds no shares in treasury, therefore the total number of voting rights is 58,372,660.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 10 a.m. on 3 February 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their

9. CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that
 - (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Explanatory notes of principal changes to the company's articles of association

1. THE COMPANY'S OBJECTS

Prior to 1 October 2009, the Company's memorandum of association contained, among other things, the objects clause which set out the scope of the activities the Company was authorised to undertake. This was drafted to give a wide scope.

With effect from 1 October 2009, the Companies Act 2006 significantly reduced the constitutional significance of a company's memorandum of association, such that this document records only the names of subscribers and the number of shares each subscriber has agreed to take in the company. The objects clause and all other provisions which were previously contained in a company's memorandum are now deemed to be contained in the company's articles of association but these provisions can be removed by special resolution.

Further, the Companies Act 2006 states that, unless a company's articles provide otherwise, its objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are now treated as forming part of the Company's articles of association. Resolution 11(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement formerly in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

2. CHANGE OF NAME

Prior to 1 October 2009, a company could only change its name by special resolution. With effect from 1 October 2009, a company is able to change its name by other means provided for by its articles. To take advantage of this relaxation, the New Articles enable the directors to pass a resolution to change the Company's name.

3. AUTHORISED SHARE CAPITAL AND UNISSUED SHARES

The Companies Act 2006 abolished the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

4. REDEEMABLE SHARES

Prior to 1 October 2009, if a company issued redeemable shares it was required to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

5. AUTHORITY TO PURCHASE OWN SHARES, CONSOLIDATE AND SUB-DIVIDE SHARES, AND REDUCE SHARE CAPITAL

Prior to 1 October 2009, a company was required to have specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. With effect from 1 October 2009, it is no longer necessary for articles to contain such enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

6. USE OF SEALS

Prior to 1 October 2009, a company was required to have specific authority in its articles to have an official seal for use abroad. From 1 October 2009, such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles. The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as directors approve.

Company information

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DIRECTORS:

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

SECRETARY:

Frank Bandura

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