

UN ANNO CON

Carluccio's



Annual Report and Accounts

2008

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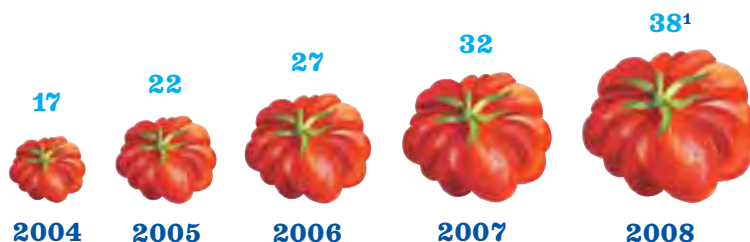
Locations

INDICATORI FINANZIARI

Financial highlights

+20%

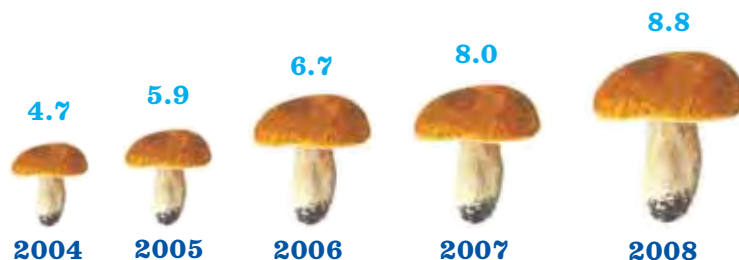
Increase in turnover
2008: £64.1m (2007: £53.3m)



Number of stores open

2.3p

Dividend per share
+5% over prior year



Cash flow from operating activities (£m)³

£5.6^m

Profit before tax
+14% over prior year

Five year highlights ⁴

	2004	2005	2006	2007	2008
Number of stores open	17	22	27	32	38 ¹
Turnover (£m)	27.8	36.8	45.8	53.3	64.1
Profit before tax (£m)	2.4	3.2	3.2	4.9	5.6
Adjusted profit before tax (£m) ²	2.3	3.5	4.3	5.6	6.0
Cash flow from operating activities (£m) ³	4.7	5.9	6.7	8.0	8.8

¹ Includes Dublin under franchise.

² Excludes exceptional expense 2005-06 and IFRS 2 / FRS 20 2006-08.

³ Excludes exceptional expense 2005-06.

⁴ 2004-2006 according to UK GAAP, 2007-2008 according to IFRS.

L'ANNO TRASCORSO

The story of our year

27 new products
launched

2nd

**Store opening programme financed
from internally generated cash flow**

£3.6m cash at year end

2.3 dividend
p

franchise deal in Middle East

1st overseas
Carluccio's in Dublin

6 new Carluccio's

£8.8m cash generated
from operations

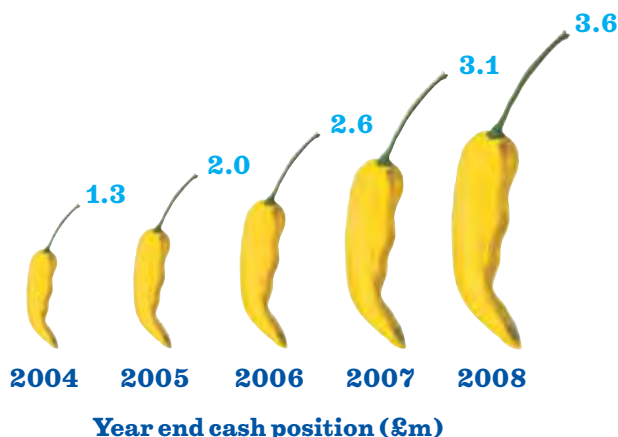
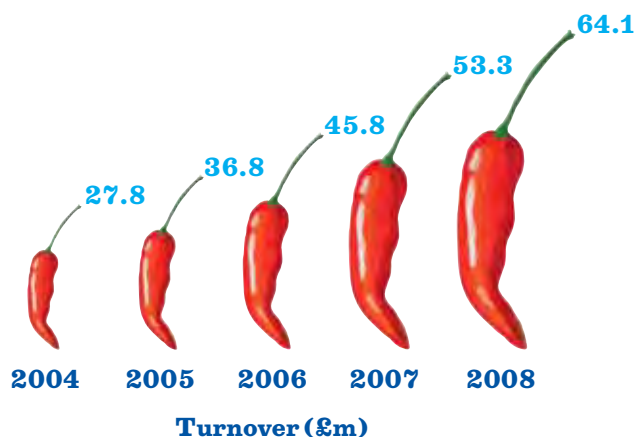
8.3p adjusted diluted eps

Industry-leading
cash returns

RELAZIONE DEL PRESIDENTE

Chairman's statement 2008

Our business continues to be highly cash generative... we can finance our opening programme out of internally generated cash flow whilst remaining debt free.



I am delighted to report our seventh year of uninterrupted double-digit growth in revenue and profit before tax.

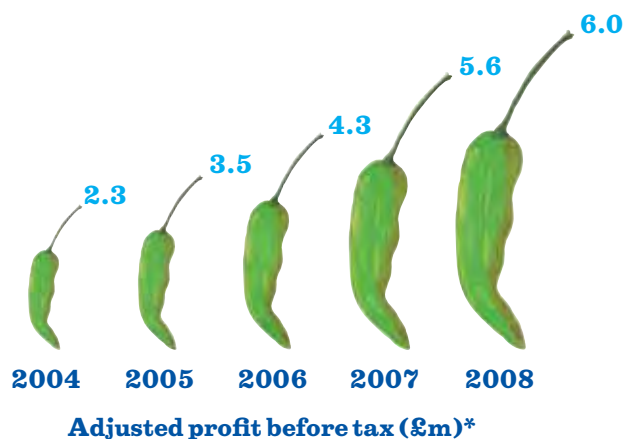
Six new Carluccio's were opened during the financial year, including our first franchise store in Dublin, Ireland. Since the year-end a further three have opened taking the total number of Carluccio's stores to 41. Our business continues to be highly cash generative, the benefit being that we can finance our opening programme out of internally generated cash flow whilst remaining debt free.

Results

Turnover for the financial year 2008 increased by an encouraging 20% to £64.1m (2007: £53.3m) despite a second year of poor Summer weather.

Profit before tax increased by 14% to £5.6m (2007: £4.9m). EBITDA (earnings before interest, tax, depreciation and amortisation) rose by 17% to £7.5m (2007: £6.4m). Cash flow from operating activities before tax grew to £8.8m (2007: £8.0m). This continued strong cash generation has enabled your Board to recommend the payment of a final dividend of 1.6p per ordinary share (2007: 1.6p). The total dividend for the year will be equivalent to 2.3p per share (2007: 2.2p).

During the year we adopted IFRS (International Financial Reporting Standards) in full. IFRS do not have an impact on either the underlying performance of the business or its strong cash generation. A higher than usual effective tax rate for 2008 of 35% (2007: 29%) arose largely due to a high deferred tax charge on share based payments exacerbated by a falling share price. The higher effective tax rate restricted the growth of Diluted EPS (Earnings per Share) to 6.2p (2007: 5.9p). Removing the impact of these items from the tax charge reduces the effective tax rate to 31.5% for the year. Adjusted Diluted EPS that excludes the impact of share based payments and pre-opening expenses increased to 8.3p (2007: 7.8p).



* Excludes exceptional expense (2005-06) and IFRS 2 / FRS 2o (2006-

RELAZIONE DEL PRESIDENTE

Chairman's statement continued

Review of the business

2008 was a year of challenges and I am pleased with the progress that we have made in mitigating their impact and continuing to grow the business.

August 2008 was one of the wettest on record. Unusually for a restaurant group, 25% of our total seats are outside and the wetter weather meant that we were unable to utilise this additional capacity fully.

We have had to work hard to overcome the impact of some very substantial cost pressures by looking at every aspect of our business. Food cost inflation has been in double digits for most of the year and the Euro has strengthened against Sterling by approximately 15% adding further pressure to the cost of our imported retail products.

We also opened 2 new Carluccio's in the first 3 weeks of the new 2009 financial year that meant 2008 bore the substantial majority of the pre-opening costs for these stores.

Whilst there is evidence that some of this cost pressure is abating, this still presents a significant challenge for the business in the coming months.

Store openings and development

The six openings during the year and the three openings since the year-end demonstrate the growing national recognition of the Carluccio's brand and the potential to expand the business within and outside the UK.

Our first two openings of the 2009 financial year, in Leicester and Bristol, have traded substantially ahead of the Board's expectations. These openings, in the midst of some of the most negative economic news-flow for several decades, help to demonstrate the strength and resilience of our business model and underline the demand for our brand outside London and the South East.

Our new store in Earlsfield, a residential area of South West London, opened on 27 November. This puts us well on track to achieve our minimum opening target for the year of five stores. However, with the market for restaurant property under pressure our strong cash position may enable us to move forward more quickly if opportunities arise.

In 2008 we opened in two travel hubs: Heathrow Terminal Five and St Pancras International Station. These stores are trading strongly and demonstrate the flexibility of our brand and its suitability to these all day locations.

We have embarked on a measured expansion of our business overseas following the encouraging level of trading at our first franchise store in Dublin. During the year we signed our second franchise agreement with the Landmark Group, one of the largest retail groups in the Middle East and India. The agreement is to develop Carluccio's in six countries in the Gulf region. Construction of the first store in Dubai is underway and opening is anticipated in the first half of 2009.

The current restaurant market

There is no doubt that the UK has entered a period of recession with economic activity expected to slow sharply during 2009. Conditions similar to this have not been experienced by the restaurant sector for at least 15 years and along with the rest of the sector, Carluccio's cannot be totally immune. However, our business model is debt-free, trades all day and offers customers the unique experience of a restaurant and retail combination at a low average spend per head. This puts us in a strong position for the medium and long term despite the challenging economic backdrop.

Since opening our first Carluccio's in 1999 we have been dedicated to putting our customers' dining and shopping experience above all other considerations. To achieve this we have changed our menu seasonally so as to be able to source the freshest and best quality ingredients that we can afford. We have scoured Italy to find outstanding suppliers for the retail products sold in our shops. We have always recruited excellent staff at all levels of our business and invested in extensive training programmes including the creation of our own cook school for our chefs. We have focussed on a measured store-opening programme together with regular maintenance and improvements to enhance the customer experience. This dedication to the customer experience has enabled us to build a business generating cash returns that are above the sector average. It is not our intention to change our approach in any way despite the current pressure on consumer spending.

Management and staff

Many years of successful profit growth and cash generation have only been achieved due to the dedication and commitment of our staff at all levels of the organisation. This has been recognised by our peers in giving us more than 20 awards both for our restaurants and our shops. Most recently at the London Restaurant Awards we were voted "Best Chain Restaurant" and Good Housekeeping accorded us the accolade of "Best Gourmet Food Retailer".

In September 2007 we launched a major campaign to work with Action Against Hunger raising £179,000 to date to fund projects in Liberia West Africa. Action Against Hunger is a humanitarian charity working with families in the world's poorest 40 countries.

Current trading

Trading since 28 September 2008 has been satisfactory, achieved without significant discounting and in line with Board expectations. The economy faces extremely challenging times in the months ahead but I believe that our unique, debt free, all day trading business model allied with competitive pricing and relentless customer focus should stand us in good stead.

Stephen Gee
8 December 2008

I believe that our unique, debt free, all day trading business model allied with competitive pricing and relentless customer focus should stand us in good stead.



INVERNO
winter

Winter in Italy is all about the carnevale. Coming just before Lent, the festivities, parades and masquerade balls of carnevale provide Italians with a chance to indulge in traditional dishes like Ricotta filled cannoli and delicious polenta dolce cakes before fasting.

During an extravagant two-week carnevale, Venice explodes in a riot of colour and flavours; one of many inspirations for our love of all things Veneto.



Prosecco

VENETO

Jan | Veneto promotion This year's promotional calendar was inspired by the regions of Italy: our first stop was Veneto. From the shores of the Adriatic to the fertile terra of the Po Valley, Veneto's geography is the key to its rich culinary tradition. Fish, polenta bianca and rice are staples of this regions cuisine and provided the cornerstones for our promotion.

INVERNO

winter



GENNAIO -



Feb | Carluccio's at Terminal 5 is situated on the upper level of departures. Customers can enjoy an exclusive range of products including an extensive selection of delightful Italian sweets and a variety of gifts, designed to catch the eye of discerning travellers passing through this busy terminal.

Feb | Dublin opening Our first franchise opened on the corner of Dawson Street and Duke Street, at the heart of one of Dublin's most fashionable shopping districts. A team of 6 trainers worked with Dublin staff for several weeks to ensure the exceptional quality and service associated with Carluccio's everywhere. Acclaimed by press and public alike, the opening was a huge success.

MARZO



Ingredients for Winter

Radicchio A type of Italian chicory, this bitter lettuce is prized for its versatility, colour and flavour. Add to a mixed green salad or, if you're feeling adventurous, try it quartered and grilled with a healthy drizzle of balsamic vinegar and olive oil. Look for small, tight, brightly coloured heads without blemishes. Stored in a plastic bag in the fridge, fresh radicchio will keep for up to a week.



Sea Bass With its delicate, firm flesh and subtle flavour, sea bass is one of the best-loved fish in Italy. Delicious when combined with other fresh flavours such as lemon and dill, or tomato and fennel, sea bass is usually baked in a paper parcel, keeping the flesh moist and capturing those delicate, delectable flavours.



Mar | Easter As always, our annual Easter competition for kids proved extremely popular. This year, we asked pupils from local schools to send their ideas for decorated Easter eggs to their nearest Carluccio's. Selected by a team of Carluccio's experts, the successful young artists won a 3kg Italian chocolate egg to share with some very happy classmates!

PRIMAVERA

spring



In Italy, many festivals are dedicated to food: a time for communities to celebrate their passion for authentic, seasonal cuisine – a passion we share.

As Winter fades and Spring arrives, culinary celebrations sweep the country. The Festival of Traditional Bread in Pellegrino Parmense is one of several festivals in Emilia-Romagna and, as our deli team discovered last Spring, the region is synonymous with exceptional, traditional cuisine.

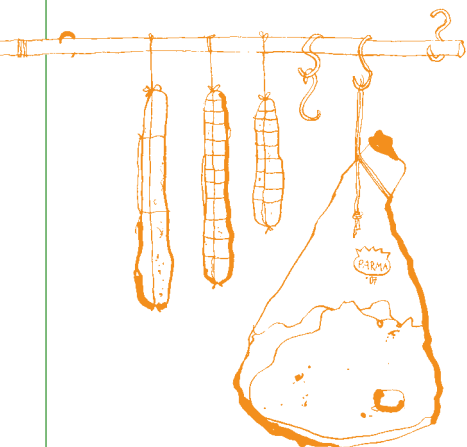


Leone

Apr | Confectionery range To celebrate the advent of Spring we introduced a delicious new range of confectionery to our stores, beautifully packaged in old-fashioned sweet jars and 100g bags. Made by artisan producers following centuries-old recipes, the range includes Menta Fred a Piemontese (mints with a fondant centre), Latte Panna (sweets made with fresh milk) and Italian drops such as Rose e Violetta.

PRIMAVERA

spring



Prosciutto
di PARMA.

EMILIA ROMAGNA

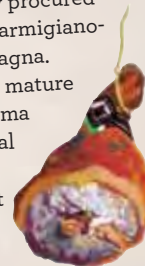
May | Emilia Romagna team trip We sent a team of our deli specialists on a three-day field trip to Bologna, in Italy's Emilia Romagna region. During their stay, they met some of our olive oil, pasta and balsamic vinegar producers, pored over the local markets and foodshops and tasted the authentic flavours of this quintessentially Italian region.

Ingredients for Spring

Asparagus The advent of Spring's favourite vegetable is a welcome sign of the changing season. For the finest green asparagus look for a bright green colour with closed, compact tips – both are good indications of freshness. Bizarrely, the pale appearance of white asparagus – which enjoys cult-like popularity in Europe, is due to the fact that it never sees the sun... Both are delicious, especially when wrapped in Parma Ham.



Parma Ham Salt cured and aged for 12 months, Prosciutto di Parma is made from pigs raised on whey procured from the production of Parmigiano-Reggiano in Emilia-Romagna. Cured to ensure a sweet, mature flavour, thinly sliced Parma Ham is a tasty, traditional antipasto and a mouth-watering accompaniment to ripe figs or juicy melons.



APRILE - GI



Jun | Cook school and ICIF

In June we celebrated the 10th birthday of our Cook school. In collaboration with Westminster Catering College, our school has now produced 120 'next generation' sous chefs to date! Also, our partnership with San Pellegrino enabled us to send 9 head chefs and sous chefs to Asti for a fortnight in June, at an International culinary institute to learn more about authentic Italian cuisine.



Jun | Cambridge opening To celebrate the June opening of our new Cambridge caffè, we held a series of pasta and risotto cooking demonstrations and olive oil tasting events hosted by our Italian Food Expert. In Cambridge new design styles keep Carluccio's up-to-date and appealing to our audience.



May | Action Against Hunger field trip Managing Director, Simon Kossoff, and Logistics Manager Neil Pangbourne visited Monrovia, Liberia, to take a closer look at the work of Action Against Hunger, a charity whose noble efforts we have chosen to support. Between August 2007 and October 2008 we raised £179,000 for the charity, contributing to the vital work being done by AAH in Monrovia.



UGNO



ESTATE

summer

During the Summer we celebrated the distinctive flavours of Tuscan cuisine, inviting customers to enjoy the region's finest dishes and wines.

Throughout August, towns across this picturesque region revel in their love of food, hosting festivals in honour of Bruschetta in Cantagallo, steak in Montemurlo, chicken in San Quirico, wine and oil in Rispeccia and blueberries in Castiglione Garfagnana, a food-lover's paradise and no mistake.



TOSCANA

Jul | Toscana promotion As we travelled around the verdant, evocative hills of Toscana, we invited customers to enjoy exclusive dinners hosted by some of our friends from the region's finest wineries. Our annual, free entry, competition provided two lucky customers with an opportunity to experience Toscana's delights for themselves and meet the families behind centuries of winemaking tradition.

ESTATE

summer

Ingredients for Summer

Tomatoes Ranging in colour from deep reds to vibrant oranges and yellows, and varying in size from tiny 'cherries' to plump, succulent 'beefsteaks', the humble tomato is as popular and versatile as ever. Firm tomatoes with bright, unflawed skins and a subtle, sweet aroma are the finest, but whatever you do don't store them in the fridge. Room temperature maximises their flavour, so we recommend a cool dry place away from sources of heat or sunlight.



Peppers Introduced to Italy during the 18th century, this versatile ingredient is among the sweetest of vegetables. Believe it or not, all peppers are originally green and only change colour as they ripen and sweeten. Especially flavoursome when slow-roasted and dressed with extra virgin olive oil and balsamic vinegar, the finest peppers are always firm, bright and shiny.



Aug | Picnics Packaged in a brand new, rather charming cool bag, this year's £45 and £60 picnic selections were the official picnics of choice for discerning epicureans attending some of the UK's key events. These included the Hampton Court and Audley End Music Festivals, Kenwood House and Tatton Park Picnic Concerts, the Epsom Derby Festival, and international cricket at Lord's.



LUGLIO -



Sep | The British Empire Partnership Hadrian, Empire & Conflict, 24 Jul-26 Oct We added an exciting culinary edge to the British Museum's Summer blockbuster exhibition, with cooking demonstrations showcasing food from Hadrian's period and three olive oil-tasting experiences. Olive oil was a key ingredient to Hadrian's wealth in those days and, with 10 olive oils in our range it is also a key ingredient in our foodshop!



Sept | The Best Chain Restaurant Award In September we were especially proud to receive the honour of Best Chain Restaurant at the London Restaurant Awards. We were nominated on the basis of votes from Evening Standard readers and were subsequently judged by key industry individuals such as Fay Maschler and Charles Campion, as well as critics from national and regional press.

SETTEMBRE

Throughout 08 | Local Charity Support As well as our partnership with Action Against Hunger, we encourage our caffés to engage with local communities, taking on projects and initiatives that have a positive impact for everybody involved. In the last year, we are delighted to have supported over 70 local charities with raffles, catering services and by making our caffés available as meeting places.



**Brighton & Hove
Chamber of Commerce**



AUTUNNO

autumn



Carluccio's

After months of toiling in the fields, epicureans throughout Italy enjoy the bountiful flavours of harvest time as food festivals take on a distinctly autumnal tone.

While the town of Vergato in Bologna delighted in truffles and Tuscan towns revelled in Polenta, wild rabbit and Queen peaches, we shared our passion for mushrooms, encouraging passers-by to indulge in deliciously autumnal



Throughout 08 | Local Partnerships This year we developed local partnerships with acclaimed enterprises such as: The Almeida Theatre, Islington; the Oxford Shakespeare Company; The Pavilion Club, Esher; the Corn Exchange, Cambridge; and Chiswick Park, London. We also played an important role at food festivals in Manchester, Brighton, Kingston, Windsor, and Covent Garden in London, to name but a few.

AUTUNNO

autumn



Sep-Oct | Leicester & Bristol openings As the seasons changed and Autumn arrived, we welcomed two new locations to our family as caffès opened in both Leicester and Bristol. Recalling our proud heritage and highlighting our passion for authentic Italian cuisine, both caffès feature a giant, bespoke map of Italy decorated with over 300 names of regional dishes, each one located in its home region.



Dec | Oro di Natale:
Christmas Gold This year's Christmas range sparkles with timeless elegance and 'Oro di Natale' – Christmas gold. Our delightful Christmas range showcases the knowledge, skill and craftsmanship of our artisan producers, who are based all over Italy. The packaging was designed to evoke the simple yet sophisticated style of Turin.



OTTOBRE



Ingredients for Autumn

Porcini Mushrooms In the wild and wonderful world of edible fungi, the meaty texture and earthy, nutty flavour of Porcini is without equal. Endangered in Italy due to over-harvesting, gathering is strictly regulated; a permit is required and a strict quota is enforced, whilst open baskets must be used to enable the natural dispersal of spores and ensure the mushroom's survival. When buying Porcini, look carefully at each mushroom for signs of age; if the underside of the cap has a yellow-brown hue, the mushrooms are becoming over-ripe.



Pumpkin Pumpkin, butternut and crown prince are all squash. Packed with vitamin A, their tough skin protects the firm flesh within, so they tend to keep rather well. A flexible ingredient, squash are ideal for roasting or mashing (mashed squash is a superb filling for pies or pasta), and provides a wonderful base for rustic, heart-warming soups. For a tasty snack, pumpkin seeds can be washed, dried and mixed with oil and salt before roasting in a hot oven for 15 minutes.



Oct | The Most Charitable Restaurant Group Award

In October, Carluccio's was recognised as The Most Charitable Restaurant Group by Too Many Critics, a gala fundraising event on behalf of Action Against Hunger. Organised by some of the country's best-known restaurant critics – including Charles Campion, Jay Rayner, Matthew Fort and Tom Parker-Bowles, the event raised £35,000 for the charity.

Throughout 08 | New training programmes Introduced in 2007, 'The Talent Development Program' is a practical, skill-based programme focusing on management skills by self-development: it has proved a hugely successful initiative.



- D I C E M B R E



Relazione del consiglio d'amministrazione

Directors' report

The directors present their report with the financial statements of the Company for the 53 week period ended 28 September 2008.

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 Stratford-upon-Avon (October 2007), Spinningfields Central Manchester (November 2007), Terminal 5 Heathrow (March 2008), St. Pancras International train terminal (April 2008) and Cambridge (May 2008). Since the year-end 3 further sites have been opened in Leicester (September 2008), Bristol (October 2008) and Earlsfield (November 2008).

During the year the Company signed its second franchise agreement with the Landmark Group, one of the largest retail groups in the Middle East and India. The agreement is to develop the brand in six countries in this region and the first store is expected to open in 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 (2007: 1.6p). An interim dividend of 0.7p per ordinary share (2007: 0.6p) was paid to shareholders on 13 June 2008. The proposed final dividend is recommended by the directors and will be paid on 20 February 2009 to all shareholders on the register as at the close of business on 9 January 2009, subject to obtaining the necessary shareholder approval. The total dividend payout for the 2008 financial year will be 2.3p (2007: 2.2p) per ordinary share, making a total payout of £1,312,000 (2007: £1,254,000).

The profit for the period after taxation was £3,647,000 (2007: £3,510,000).

Relazione del consiglio d'amministrazione

Directors' report

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 5p each 28 Sept 2008	Ordinary 5p each 23 Sept 2007
Stephen Gee	2,500,000	2,500,000
Simon Kossoff	2,579,990	2,579,990
Frank Bandura	130,600	130,600
Sarah Murray (appointed 1 June 2008)	45,000	-
David Bernstein	50,000	50,000
Peter Webber	1,852,800	1,852,800
	7,158,390	7,113,390

Scott Svenson, a non-executive director, has a beneficial interest in the Company arising by virtue of his 45.7% (2007: 45%) interest in The Sienna Group. The Sienna Group holds 1.5 million shares (2007: 1.5 million) in the Company.

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

Approved scheme (Enterprise management incentive scheme)

Director	Date granted	Number outstanding 23/09/07	Number granted	Number exercised	Number outstanding 28/09/08	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			

Relazione del consiglio d'amministrazione

Directors' report

Unapproved scheme

Director	Date granted	Number outstanding 23/09/07	Number granted	Number exercised	Number outstanding 28/09/08	Exercise price (pence)	Date exercisable from	Expiry date
Stephen Gee	09/12/05	694,190	-	-	694,190	95	09/12/08	09/12/15
Simon Kossoff	28/11/03	200,000		-	200,000	20	28/11/06	28/11/13
	19/02/04	200,000		-	200,000	31	19/02/07	19/02/14
	09/12/05	694,190		-	694,190	95	09/12/08	09/12/15
	15/12/06	200,000		-	200,000	165	15/12/09	15/12/16
	07/12/07	-	150,000	-	150,000	151	07/12/10	07/12/17
		1,294,190	150,000	-	1,444,190			
Frank Bandura	22/07/05	22,750		-	22,750	65	22/07/08	22/07/15
	14/12/05	746,115		-	746,115	95	14/12/08	14/12/15
	15/12/06	143,000		-	143,000	165	15/12/09	15/12/16
	07/12/07	-	100,000	-	100,000	151	07/12/10	07/12/17
		911,865	100,000	-	1,011,865			
Sarah Murray	09/12/05	75,510		-	75,510	95	09/12/08	09/12/15
	15/12/06	124,921		-	124,921	165	15/12/09	15/12/16
	07/12/07	-	50,000	-	50,000	151	07/12/10	07/12/17
		200,431	50,000	-	250,431			
Total unapproved		3,100,676	300,000	-	3,400,676			

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

The market price of the Company's shares at the end of the financial period was 100p (2007: 188p). The market price during the period ranged between 100p and 201p (2007: 159p and 231p).

Directors' remuneration

	Basic salary/ fees £'000	Performance related bonus £'000	Benefits in kind £'000	Pension £'000	Total for 53 weeks ended 28 Sept 2008 £'000	Total for 52 weeks ended 23 Sept 2007 £'000
Stephen Gee	60	-	-	-	60	55
Simon Kossoff	180	-	30	18	228	299
Frank Bandura	115	-	5	13	133	177
Sarah Murray*	29	3	1	-	33	-
David Bernstein	35	-	-	-	35	32
Scott Svenson	26	-	-	-	26	25
Peter Webber	35	-	-	-	35	32
Total	480	3	36	31	550	620

* Sarah Murray was appointed as a director on 1 June 2008. The table above reflects remuneration from the date of appointment.

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

No share options were exercised during the period (2007: nil) and consequently no net gains were realised (2007: £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.

Relazione del consiglio d'amministrazione

Directors' report

Substantial interests

At 8 December 2008, the Company had been notified of the following interests of 3% or more in the issued ordinary share capital of the Company:

Holder	Number of shares	Percentage of issued share capital
Fidelity International Limited	8,497,992	14.9%
Innes Limited	6,865,000	12.0%
BlackRock Inc.	2,737,203	4.8%
Aviva Plc	2,721,918	4.8%
S Kossoff	2,579,990	4.5%
S Gee	2,500,000	4.4%
A Chisholm	2,106,620	3.7%
Standard Life	1,967,123	3.4%
F Bolwell	1,950,000	3.4%
P Webber	1,852,800	3.2%
Highclere	1,790,346	3.1%

There are 57,037,660 ordinary 5p shares currently in issue. The Company holds no shares in treasury and therefore the total number of voting rights is 57,037,660. The directors hold or control 8,658,390 shares or 15.2% of the share capital, leaving 48,379,270 shares or 84.8% of the share capital in public hands. There are no shares in issue that have restrictions attached to them.

Details of directors' shareholdings are contained on Page 26.

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 formally 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, 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 and share option grants. The committee also considers and advises on senior management awards.

Shareholder relations

The directors meet with shareholders during the course of the year. Shareholders are encouraged to participate in the Annual General Meeting. The next Annual General Meeting will be held on 6 February 2009. In addition the Company issues a trading update three times a year: before the commencement of its close period, prior to publishing its results and after its AGM. The Board are kept informed of any feedback from shareholders and receive analysts' reports as they become available.

Internal audit

The Company has an established internal audit function provided by an independent 3rd party, supported by Carluccio's finance function. Successfully passing an internal audit is one of the criteria used to determine a store manager's bonus.

Supplier payment policy

The Company pays its creditors in accordance with the specific trade terms agreed. The creditor payment period for 2008 was 33 days (2007: 33 days).

Financial instruments

Details of the use of financial instruments by the Company are contained in note 26 to the financial statements.

Relazione del consiglio d'amministrazione

Directors' report

Political and charitable contributions

During the period, the Company donated £179,000 (2007: £13,000) to Action Against Hunger, a registered charity that fights hunger and malnutrition worldwide. There were no political donations in the period (2007: nil).

Indemnity cover

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

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

Auditors

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

BDO Stoy Hayward LLP have signified their willingness to continue in office 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
8 December 2008

Profilo dei consiglieri

Directors' biographies

Stephen Gee (Chairman) – aged 64. 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 48. 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 42. 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 34. 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. Sarah became Operations Director in January 2005 and joined the PLC Board in June

2008.

David Bernstein (Non-Executive) – aged 65. 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 Wembley National Stadium Limited. He is a non-executive director of Ted Baker Plc. He was previously Joint Managing Director of Pentland Group Plc, Chairman of Manchester City Plc and non-executive chairman of French Connection Group.

Scott Svenson (Non-Executive) – aged 42. 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 69. 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.

Relazione della società di revisione

Report of the independent auditors to the shareholders of Carluccio's PLC

We have audited the financial statements of Carluccio's PLC for the 53 week period ended 28 September 2008 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) are set out in the statement of directors' responsibilities.

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU), of the state of the Company’s affairs as at 28 September 2008 and of its profit for the 53 week period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors’ report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants

Registered Auditors

London

8 December 2008

Conto Economico

Income statement

For the period ended 28 September 2008

	Note	53 weeks ended 28 Sept 2008 £'000	52 weeks ended 23 Sept 2007 £'000
Revenue	4	64,137	53,257
Cost of sales		(51,819)	(42,288)
Gross profit		12,318	10,969
Administrative expenses		(6,797)	(6,101)
Operating profit	5	5,521	4,868
Finance income	6	122	100
Finance expense	7	(14)	(26)
Profit before taxation		5,629	4,942
Income tax expense	8	(1,982)	(1,432)
Profit for the financial period		3,647	3,510
Basic earnings per share (pence)	9	6.4	6.2
Diluted earnings per share (pence)	9	6.2	5.9

The notes on pages 40 to 70 form part of these financial statements.

Prospetto delle variazioni: Patrimonio netto

Statement of changes in equity

For the period ended 28 September 2008

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 25 September 2006	2,840	1,684	7,013	11,537
Profit for the financial period	-	-	3,510	3,510
Total recognised income and expense for the period	-	-	3,510	3,510
Tax on share options taken directly to reserves	-	-	306	306
Dividends paid	-	-	(1,194)	(1,194)
Issue of shares	9	29	-	38
Share based payment charge credited to reserves	-	-	332	332
Total change in equity for the period	9	29	2,954	2,992
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

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.

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 40 to 70 form part of these financial statements.

Stato Patrimoniales

Balance sheet

As at 28 September 2008

	Note	2008 £'000	2007 £'000
Non current assets			
Intangible assets	13	201	90
Property, plant and equipment	14	22,436	18,463
Prepaid operating lease charges	15	1,319	1,451
		23,956	20,004
Current assets			
Inventories	16	1,831	1,381
Trade and other receivables	17	447	448
Prepayments		1,614	1,477
Prepaid operating lease charges	15	106	87
Cash and cash equivalents	18	3,587	3,145
		7,585	6,538
Total assets		31,541	26,542
Current liabilities			
Trade payables	19	4,492	3,803
Other tax and social security		2,064	1,535
Accruals and deferred income	20	3,924	3,836
Corporation tax liabilities		751	649
		11,231	9,823
Non-current liabilities			
Accruals and deferred income	20	1,950	1,712
Deferred tax liabilities	21	1,602	478
		3,552	2,190
Total liabilities		14,783	12,013
Net assets		16,758	14,529
Equity			
Share capital	22	2,852	2,849
Share premium account		1,725	1,713
Retained earnings		12,181	9,967
Total equity		16,758	14,529

The notes on pages 40 to 70 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 8 December 2008 and signed on their behalf by: **Stephen Gee and Frank Bandura, Directors.**

Rendiconto finanziario

Cash flow statement

For the period ended 28 September 2008

	53 weeks ended 28 Sept 2008 £'000	52 weeks ended 23 Sept 2007 £'000
Profit before taxation	5,629	4,942
Depreciation	1,826	1,378
Amortisation of prepaid operating lease charges	113	87
Amortisation of intangible assets	70	71
Share based payment charge	349	332
Net finance income	(108)	(74)
Cash flows from operating activities before changes in working capital	7,879	6,736
Increase in inventories	(450)	(158)
Increase in receivables	(138)	(282)
Increase in payables	1,544	1,690
Loss on disposal of property, plant and equipment	-	16
Net cash inflow from operating activities before tax	8,835	8,002
Corporation tax paid	(1,225)	(806)
Net cash inflow from operating activities	7,610	7,196
Cash flows from investing activities		
Finance income	122	100
Payments to acquire intangible assets	(181)	(88)
Payments to acquire property, plant and equipment	(5,803)	(5,523)
Proceeds from sale of property, plant and equipment	4	-
Net cash outflow from investing activities	(5,858)	(5,511)
Cash flows from financing activities		
Finance cost	(14)	(26)
Proceeds from issue of share capital	15	38
Equity dividends paid	(1,311)	(1,194)
Net cash outflow from financing activities	(1,310)	(1,182)
Net increase in cash and cash equivalents	442	503
Cash and cash equivalents at start of period	3,145	2,642
Cash and cash equivalents at end of period	3,587	3,145

The notes on pages 40 to 70 form part of these financial statements.

Note explicative

Notes to the financial statements

For the period ended 28 September 2008

1 General information

Carluccio's PLC is a public limited company incorporated in the United Kingdom under the Companies Act 1985 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 Company has historically prepared its accounts under UK Generally Accepted Accounting Practice ("UK GAAP"). For the 53 weeks ended 28 September 2008, however, it has prepared its financial statements under IFRS. In accordance with IFRS 1, a detailed explanation of the impact of the transition from UK GAAP to IFRS, setting out the restatement of the comparatives for the 52 weeks ended 23 September 2007 is included in note 28. The transition date for the purposes of applying IFRS for the Company was 25 September 2006.

The financial statements are presented in sterling, rounded to the nearest thousand, except where indicated otherwise. They are prepared on the historical cost basis.

The following standards and interpretations issued by the IASB or IFRIC, with effective dates after the period covered by these financial statements, have not been adopted by the Company. The Company is currently assessing the impact these standards and interpretations will have on the presentation of its results in future periods:

- IAS 1 (amended) – Presentation of financial statements (effective for periods beginning on or after 1 January 2009) – IAS 1 (amended) has not been endorsed for use in the EU.
- IFRIC 12 – Service concession arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 has not been endorsed for use in the EU.
- IFRIC 13 – Customer loyalty programmes (effective for annual periods beginning on or after 1 July 2008), IFRIC 13 has not been endorsed for use in the EU.
- IFRIC 14 – The limit on a defined benefit Asset Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 has not been endorsed for use in the EU.
- IAS 23 (amendment) – Borrowing costs (effective for periods beginning on or after 1 January 2009). IAS 23 (amendment) has not been endorsed for use in the EU.
- IAS 27 – Consolidated and separate financial statements (effective for accounting periods beginning on or after 1 July 2009). IAS 27 has not been endorsed for use in the EU.
- IFRS 2 (amendment) – Vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). IFRS 2 (amendment) has not been endorsed for use in the EU.
- IFRS 3 (amendment) – Business combinations (effective for accounting periods beginning on or after 1 July 2009). IFRS 3 (amendment) has not 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.
- IAS 32 (amendment) – Financial Instruments: Presentation and IAS 1 (amendment) – Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on liquidation (effective for annual accounting periods beginning

on or after 1 January 2009). These amendments have not been endorsed for use in the EU.

- IFRIC 15 – Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009). IFRIC 15 has not been endorsed for use in the EU.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 has not yet been endorsed for use in the EU.
- Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009). Improvements to IFRSs has not yet been endorsed for use in the EU.
- IFRS 1 (amendment) and IAS 27 (amendment) – Cost of an Investment in a subsidiary, jointly-controlled entity or associate. (effective for annual periods beginning on or after 1 January 2009). These amendments have not been endorsed for use in the EU.
- IAS 39 (amendment) – Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009). This amendment has not been endorsed for use in the EU.

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.

Following the transition to IFRS, 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.

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 reflects 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.

Operating profit

Operating profit is net profit for the period before finance income, finance expense and income tax expense.

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 a binomial 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 increase 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.

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

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 income tax recognises the estimated impact of using different bases to determine the assets and liabilities of an entity for tax and accounting purposes, on the amount of tax paid by the Company in the future. 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.

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.

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 and fixtures	– 3 to 10 years
Computer equipment	– 3 years
Motor vehicles	– 3 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.

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, a provision against impairment is made. 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.

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

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.

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.

Note explicative

Notes to the financial statements

For the period ended 28 September 2008

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.

(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 20.

(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 shared-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. These assumptions are discussed in note 22 and include among others the dividend growth rate, expected volatility 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 calculations 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 27. 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 location has been trading for seven months only and the uncertainty of the future projected results of the franchisee.

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.

5 Operating profit

Operating profit is stated after charging:

	2008	2007
	£'000	£'000
Operating lease rentals for land and buildings – minimum contract amounts	4,000	3,149
Operating lease rentals for land and buildings – turnover based amounts	1,327	1,179
Share based payment charge	349	332
Amortisation of intangible assets	70	71
Depreciation of property, plant and equipment	1,826	1,378
Amortisation of prepaid operating lease charges	113	87
Loss/(gain) on foreign exchange	58	(40)
Loss on the sale of property, plant and equipment	-	16
Pre-opening expenses (including pre-opening rent)	1,159	1,204

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

	2008	2007
	£'000	£'000
Audit services		
- statutory audit of financial statements	65	50
Tax Services		
- taxation compliance	25	21
- other tax advisory services	69	20
Other Services		
- share capital advice	-	2
- review of interim announcements	8	7
Total	167	100

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

6 Finance income

	2008 £'000	2007 £'000
Bank interest receivable	122	100

7 Finance expense

	2008 £'000	2007 £'000
Bank interest payable	14	26

8 Income tax expense

	2008 £'000	2007 £'000
UK Corporation tax		
Current tax on profits for the period	1,394	1,333
Adjustment in respect of prior years	(65)	(56)
Total current tax	1,329	1,277
Deferred tax		
Deferred tax on profits for the year	653	155
Total deferred tax	653	155
Total expense for the period in the income statement	1,982	1,432

8 Income tax expense continued

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

	2008 £'000	2007 £'000
Profit before taxation	5,629	4,942
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 29% (2007: 30%)	1,632	1,483
Adjustments for the effect of:		
Expenses not deductible for tax purposes	299	211
Adjustment to prior year tax charge	(65)	(56)
Effect of deferred tax on share based payments	122	157
Other adjustments	(6)	(49)
Total expense for the period in the income statement	1,982	1,432

9 Earnings per share

Numerator	2008 £'000	2007 £'000
Profit for the financial period (basic earnings per share)	3,647	3,510
Share based payments net of tax	462	250
Pre-opening expenses net of tax	823	843
Adjusted profit for the financial period (adjusted earnings per share)	4,932	4,603

Note explicative

Notes to the financial statements

For the period ended 28 September 2008

9 Earnings per share continued

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

- 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	2008 Number (‘000)	2007 Number (‘000)
Weighted average number of ordinary shares (basic earnings per share)	57,005	56,924
Impact of dilutive share options	2,190	2,271
Diluted number of ordinary shares (diluted earnings per share)	59,195	59,195

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

	2008 Pence	2007 Pence
Basic earnings per share	6.4	6.2
Diluted earnings per share	6.2	5.9
Adjusted basic earnings per share	8.7	8.1
Adjusted diluted earnings per share	8.3	7.8

10 Dividend

The Directors are recommending the payment of a final dividend of 1.6p per Ordinary 5p share (2007: 1.6p), subject to obtaining shareholder approval at the forthcoming Annual General Meeting (AGM) to be held on 6 February 2009. The dividend will be paid on 20 February 2009 to all shareholders on the register as at 9 January 2009. The amount of the final dividend is £913,000 (2007: £912,000). An interim dividend of £399,000 (2007: £342,000) or 0.7p per Ordinary 5p share (2006: 0.6p) was paid during the year. Therefore the total dividend for the year is 2.3p per Ordinary 5p share (2007: 2.2p), equivalent to £1,312,000 (2007: £1,254,000).

11 Employees

	2008 £'000	2007 £'000
Staff costs (including directors) consist of:		
Wages and salaries	20,104	16,617
Social security costs	1,328	1,313
Other pension costs	31	26
	21,463	17,956
Share-based payments (see note 22)	344	332
	21,807	18,288

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

	2008 Number	2007 Number
Administration	45	40
Caffè & foodshops	1,424	1,117
	1,469	1,157

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

12 Related party transactions

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

	2008 £'000	2007 £'000
Directors		
Emoluments	519	594
Contributions to money purchase pension schemes	31	26
	550	620
	2008 £'000	2007 £'000
Directors and key management personnel		
Emoluments	798	916
Contributions to money purchase pension schemes	31	26
	829	942
Share based payments	188	259
	1,017	1,201

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.

12 Related party transactions continued

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

	2008 £'000	2007 £'000
Emoluments	210	283
Contributions to money purchase pension schemes	18	16
	228	299

During the period, 2 directors (2007: 2) accrued benefits under money purchase pension schemes and no directors (2007: nil) exercised share options.

Further details of directors' remuneration and share options are given in the Directors' report on pages 27 to 29.

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

13 Intangible assets

	Trademarks £'000	Computer software £'000	Total £'000
Cost			
At 25 September 2006	32	315	347
Additions	1	87	88
At 23 September 2007	33	402	435
Additions	110	71	181
At 28 September 2008	143	473	616
Amortisation			
At 25 September 2006	10	264	274
Charge for the period	3	68	71
At 23 September 2007	13	332	345
Charge for the period	6	64	70
At 28 September 2008	19	396	415
Net book values			
At 28 September 2008	124	77	201
At 23 September 2007	20	70	90
At 25 September 2006	22	51	73

14 Property, plant and equipment

	Leasehold Improvements £'000	Furniture, fixtures and computer equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 25 September 2006	12,482	4,979	381	17,842
Additions	3,649	1,500	374	5,523
Reclassification	315	66	(381)	-
Disposals	(118)	(81)	-	(199)
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
Depreciation				
At 25 September 2006	1,685	1,823	-	3,508
Charge for period	657	721	-	1,378
Elimination on disposal	(117)	(66)	-	(183)
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
Net book value				
At 28 September 2008	16,732	4,640	1,064	22,436
At 23 September 2007	14,103	3,986	374	18,463
At 25 September 2006	10,797	3,156	381	14,334

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

15 Prepaid operating lease charges

	2008 £'000	2007 £'000
Held within non-current assets	1,319	1,451
Held within current assets	106	87
	1,425	1,538

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.

16 Inventories

	2008 £'000	2007 £'000
Materials	399	313
Finished goods and goods for resale	1,432	1,068
	1,831	1,381

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 £21,164,000 in the income statement in the 53 weeks to 28 September 2008 (2007: £17,577,000).

17 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	327	262
Other receivables	120	186
	447	448

All amounts are expected to be received within one year.

18 Cash and cash equivalents

Cash and cash equivalents of £3,587,000 (2007: £3,145,000) comprise cash and short-term deposits. The carrying amount of these assets approximates their fair value.

19 Trade and other payables

	2008 £'000	2007 £'000
Trade payables	4,492	3,803
	4,492	3,803

All amounts fall due for payment within one year.

20 Accruals and deferred income

	2008 £'000	2007 £'000
Held within current liabilities:		
Accruals	3,791	3,752
Deferred income	133	84
	3,924	3,836
Held within non-current liabilities:		
Accruals	-	-
Deferred income	1,950	1,712
	1,950	1,712
Total accruals and deferred income	5,874	5,548

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

21 Deferred tax liabilities

	2008 £'000	2007 £'000
At the start of the period	478	629
Charge to income statement (see note 8)	653	155
Movement taken directly to equity (see statement of changes in equity)	471	(306)
At the end of the period	1,602	478
The deferred tax liability can be analysed as follows:		
Accelerated capital allowances	1,846	1,627
Deferred tax on share options	(237)	(844)
Deferred tax on lease incentives	-	(276)
Other temporary differences	(7)	(29)
	1,602	478

There is no unprovided deferred tax.

22 Share capital

	2008 Number (‘000)	Authorised 2007 Number (‘000)	2008 £'000	2007 £'000
Ordinary shares of 5p each	150,000	150,000	7,500	7,500
	150,000	150,000	7,500	7,500

	2008 Number (‘000)	Allotted, called up and fully paid 2007 Number (‘000)	2008 £'000	2007 £'000
Ordinary shares of 5p each	57,038	56,978	2,852	2,849
	57,038	56,978	2,852	2,849

22 Share capital continued

Movements in share capital

	Number (‘000)	£’000
At 25 September 2006	56,798	2,840
Exercise of share options	180	9
At 23 September 2007	56,978	2,849
Exercise of share options	60	3
At 28 September 2008	57,038	2,852

Share based payments

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

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

During the year, the Company allotted 59,375 Ordinary 5p shares (2007: 180,000) following the exercise of options. The weighted average exercise price was 25 pence (2007: 22 pence) with the total consideration being £14,688 (2007: £38,750). The weighted average share price during the period of exercise was 145 pence (2007: 181 pence).

Approved share option scheme

Date granted	Number outstanding 23/09/07	Number granted	Number exercised	Number lapsed	Number outstanding 28/09/08	Exercise price (pence)	Date exercisable from	Expiry date
11/10/01	14,375	-	(14,375)	-	-	10	11/10/04	11/10/11
09/12/02	62,500	-	-	-	62,500	16	09/12/05	09/12/12
28/11/03	295,000	-	(30,000)	-	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	240,000	-	(10,000)	-	230,000	40	21/01/08	21/01/15
22/07/05	242,250	-	(5,000)	-	237,250	65	22/07/08	22/07/15
09/12/05	462,810	-	-	(60,000)	402,810	95	09/12/08	09/12/15
14/12/05	221,185	-	-	-	221,185	95	14/12/08	14/12/15
15/12/06	247,079	-	-	(42,500)	204,579	165	15/12/09	15/12/16
07/12/07	-	275,823	-	(43,000)	232,823	151	07/12/10	07/12/17
Total	2,110,199	275,823	(59,375)	(145,500)	2,181,147			

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

22 Share capital continued

Exercise prices for share options granted under the approved share option scheme range from 10 pence to 165 pence (2007: 10 pence to 165 pence). The remaining weighted average contractual life of the options is 7 years (2007: 7 years).

Unapproved share option scheme

Date granted	Number outstanding 23/09/07	Number granted	Number exercised	Number lapsed	Number outstanding 28/09/08	Exercise price (pence)	Date exercisable from	Expiry date
28/11/03	200,000	-	-	-	200,000	20	28/11/06	28/11/13
19/02/04	200,000	-	-	-	200,000	31	19/02/07	19/02/14
22/07/05	22,750	-	-	-	22,750	65	22/07/08	22/07/15
09/12/05	1,463,890	-	-	-	1,463,890	95	09/12/08	09/12/15
14/12/05	746,115	-	-	-	746,115	95	14/12/08	14/12/15
15/12/06	467,921	-	-	-	467,921	165	15/12/09	15/12/16
07/12/07	-	356,177	-	-	356,177	151	07/12/10	07/12/17
Total	3,100,676	356,177	-	-	3,456,853			

Exercise prices for share options granted under the unapproved scheme range from 20 pence to 165 pence (2007: 20 pence to 165 pence).

The remaining weighted average contractual life of the options is 7 years (2007: 7.7 years).

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

	2008 weighted average exercise price (pence)	2008 Number	2007 weighted average exercise price (pence)	2007 Number
Outstanding at the beginning of the year	86	5,210,875	71	4,724,875
Granted during the year	151	632,000	165	734,500
Lapsed during the year	132	145,500	106	68,500
Exercised during the year	25	59,375	22	180,000
Outstanding at the end of the year	92	5,638,000	86	5,210,875
Exercisable at the end of the year	34	1,542,500	25	1,096,875

22 Share capital continued

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

Details of directors' share options are contained on pages 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.

The weighted average remaining lives of the options outstanding at the end of the period is 7 years (2007: 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 2007 and 2008 are listed below:

	2008	2007
Weighted average share price at grant date (pence)	151	165
Exercise price (pence)	151	165
Expected volatility (%)	25	21
Expected dividend yield (%)	1.6	0
Risk free interest rate (%)	4.6	4.9
Weighted average fair value of options granted (£'000)	201	234
Vesting Period (years)	3	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 2007 and 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.

23 Capital commitments

	2008 £'000	2007 £'000
Capital commitments contracted but not provided for in the financial statements	402	2,017

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

Note explicative

Notes to the financial statements
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24 Future commitments under operating leases

The total future rental payments outstanding under non-cancellable operating leases as at 28 September 2008 are set out below:

	Land and buildings	
	2008	2007
	£'000	£'000
Within 1 year	4,440	3,804
Within 2 to 5 years	18,216	15,231
After 5 years	61,843	58,809
	84,499	77,844

Leases for land and buildings are subject to rent reviews.

Rent agreements on 13 sites (2007: 9) 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.

25 Pensions

The Company makes contributions to personal pension plans of directors. The total amount paid during the period was £31,000 (2007: £26,000).

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

The Company does not operate a defined benefit scheme.

26 Financial instruments 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.

	2008 £'000	2007 £'000
Financial assets – loans and receivables		
Trade and other receivables	447	448
Cash and cash equivalents	3,587	3,145
	4,034	3,593
Financial liabilities		
Trade payables	4,492	3,803
Other tax and social security	2,064	1,535
Accruals	3,791	3,752
	8,283	7,555

In the Directors' opinion, there is no material difference between the book value and the current 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.

Note explicative

Notes to the financial statements

For the period ended 28 September 2008

26 Financial instruments and financial risks continued

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 2008 and 2007.

	2008 £'000	2007 £'000
Trade and other receivables are due:		
Current	366	360
Within 30 - 60 days	36	80
Within 61 - 90 days	21	5
91 days and over	24	3
	447	448

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 £105,000 (2007: £100,000) and represented 1.9%(2007:1.9%) 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.

26 Financial instruments and financial risks continued

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 other than an overdraft facility, (2007: £nil).

	2008 £'000	2007 £'000
Trade and other payables, other tax and social security liabilities and accruals are due for settlement:		
Current	7,368	6,178
Within 30 - 60 days	2,634	2,645
Within 61 - 90 days	311	232
91 days and over	34	35
	10,347	9,090

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.

Note explicative

Notes to the financial statements

For the period ended 28 September 2008

27 Franchise agreement

During the year, the Company has granted two franchises:

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 is due to open in 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 Carluccio's with the possibility of a further extension at the end of the initial term.

In addition, an option deed forms part of the franchise, granting 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.

28 First time adoption of international financial reporting standards

Reconciliations and explanatory notes showing how the transition to IFRS has affected profit and net assets previously reported under UK GAAP are provided below. No material adjustments have been made to cash flow presented under previous UK GAAP.

Key impacts of adopting International Financial Reporting Standards

(A) 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. Under UK GAAP, such payments were treated as tangible assets, capitalised and depreciated over the length of the lease term. Under IFRS 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. There is neither an impact on the income statement nor on the cash flows of the Company.

(B) Computer software

Computer software is capitalised and amortised over its useful life of 3 years. Under UK GAAP it was included within tangible assets whilst under IFRS it is reclassified as an intangible asset.

(C) 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. Under UK GAAP, these lease incentives were deferred and amortised from the first date that the Company was responsible for a lease, usually the lease completion date, until the first rent review. Typically in the United Kingdom the first rent review occurs after 5 years.

Under IFRS, such lease incentives are now amortised on a straight line basis over the whole of the lease term irrespective of the timing of the rent reviews. This change has resulted in an additional charge to the income statement of £325,000 for the 52 weeks ended 23 September 2007 and the recognition of an additional £984,000 of deferred income. This change in accounting methodology does not impact on the cash flows of the Company.

28 First time adoption of international financial reporting standards *continued*

(D) Taxation effect

The requirements of IAS 12, Income Taxes, require the Company to calculate deferred tax using the balance sheet liability method, giving rise to the recognition of deferred tax assets previously unrecognised.

Deferred taxation on share options (IFRS 2)

Where, using the balance sheet liability method, the estimated tax deduction on the gain from the exercise of share options exceeds the tax deduction on the cumulative share option charge, the difference has been shown as part of equity.

The Company has therefore recognised in the balance sheet as at 23 September 2007, a deferred tax asset of £679,000 arising on the potential deduction against taxable profits of the gain on the exercise of share options. As a result the tax charge in the income statement has been increased by £11,000 with the difference of £690,000 increasing equity reserves.

Corporation tax restriction

The gain on share options exercised in a period can be deducted against taxable profits under UK corporation tax legislation thereby reducing the income tax charge in the income statement. Under UK GAAP, this was recognised in the period of exercise as a lower tax charge in the income statement. Under IFRS, however, the gain increases reserves to the extent it exceeds the IFRS 2 charge. The impact is to increase the income tax charge for the 52 weeks ended 23 September 2007 by £79,000 with a corresponding credit to reserves.

Deferred taxation on property, plant and equipment (IAS 17)

The change in accounting for lease incentives results in a lower profit assessable to UK corporation tax. The financial statements are adjusted in prior years whilst the deduction will only be made in the 2008 tax computation. This creates a deferred tax asset in earlier years which will be offset against the tax saving in the 2008 tax computation. This has resulted in decreasing the tax charge for the 52 weeks ended 23 September 2007 by £78,000. The deferred tax asset in the balance sheet as at 23 September 2007 has been increased by £276,000 with a corresponding increase in reserves of £198,000.

(E) Revenue reclassification

As part of the transition to IFRS, the Company has reviewed its accounting policies. Although not an IFRS adjustment, the following change in policy has been adopted. The Company will now show revenue net of discounts. Previously discounts were included within cost of sales. As a result of this change turnover and cost of sales in the 52 weeks ended 23 September 2007 has been reduced by £722,000. This change has no impact on reported profits for the period.

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

28 First time adoption of international financial reporting standards continued

Reconciliation of movements between UK GAAP and IFRS

Balance sheet as at 25 September 2006

	Under UK GAAP £'000	Lease premiums (A) £'000	Computer software (B) £'000	Lease incentives (C) £'000	Taxation effect (D) £'000	Re-stated under IFRS £'000
Non-current assets						
Intangible assets	22	-	51	-	-	73
Property, plant & equipment	16,010	(1,625)	(51)	-	-	14,334
Prepaid operating lease charges	-	1,538	-	-	-	1,538
	16,032	(87)	-	-	-	15,945
Current assets						
Inventories	1,223	-	-	-	-	1,223
Trade & other receivables	423	-	-	-	-	423
Prepayments & accrued income	1,220	-	-	-	-	1,220
Prepaid operating lease charges	-	87	-	-	-	87
Cash and cash equivalents	2,642	-	-	-	-	2,642
	5,508	87	-	-	-	5,595
Total assets	21,540	-	-	-	-	21,540
Current Liabilities						
Trade and other payables	3,117	-	-	-	-	3,117
Other tax and social security	1,416	-	-	-	-	1,416
Accruals and deferred income	4,004	-	-	(513)	-	3,491
Corporation tax liabilities	178	-	-	-	-	178
	8,715	-	-	(513)	-	8,202

28 First time adoption of international financial reporting standards continued

Reconciliation of movements between UK GAAP and IFRS

Balance sheet as at 25 September 2006

	Under UK GAAP £'000	Lease premiums (A) £'000	Computer software (B) £'000	Lease incentives (C) £'000	Taxation effect (D) £'000	Re-stated under IFRS £'000
Non-current liabilities						
Accruals and deferred income	-	-	-	1,172	-	1,172
Deferred tax liabilities	1,290	-	-	-	(661)	629
	1,290	-	-	1,172	(661)	1,801
Total liabilities	10,005	-	-	659	(661)	10,003
Net assets	11,535	-	-	(659)	661	11,537
Shareholders equity						
Share capital	2,840	-	-	-	-	2,840
Share premium account	1,684	-	-	-	-	1,684
Retained earnings	7,011	-	-	(659)	661	7,013
Shareholders equity	11,535	-	-	(659)	661	11,537

Note explicative

Notes to the financial statements

For the period ended 28 September 2008

28 First time adoption of international financial reporting standards continued

Reconciliation of movements between UK GAAP and IFRS

Income statement for the 52 weeks to 23 September 2007

	Under UK GAAP £'000	Lease incentives (C) £'000	Taxation effect (D) £'000	Revenue Reclass- ification (E) IFRS £'000	Under IFRS £'000
Revenue	53,979	-	-	(722)	53,257
Cost of sales	(42,685)	(325)	-	722	(42,288)
Gross profit	11,294	(325)	-	-	10,969
Administrative expenses	(6,101)	-	-	-	(6,101)
Operating profit	5,193	(325)	-	-	4,868
Finance income	100	-	-	-	100
Finance cost	(26)	-	-	-	(26)
Profit before taxation	5,267	(325)	-	-	4,942
Income tax expense	(1,420)	-	(12)	-	(1,432)
Profit for the financial period	3,847	(325)	(12)	-	3,510
Basic earnings per share (pence)	6.8	(0.6)	-	-	6.2
Diluted earnings per share (pence)	6.5	(0.6)	-	-	5.9

28 First time adoption of international financial reporting standards continued

Reconciliation of movements between UK GAAP and IFRS

Balance sheet as at 23 September 2007

	Under UK GAAP £'000	Lease premiums (A) £'000	Computer software (B) £'000	Lease incentives (C) £'000	Taxation effect (D) £'000	Restated under IFRS £'000
Non-current assets						
Intangible assets	20	-	70	-	-	90
Property, plant & equipment	20,071	(1,538)	(70)	-	-	18,463
Prepaid operating lease charges	-	1,451	-	-	-	1,451
	20,091	(87)	-	-	-	20,004
Current assets						
Inventories	1,381	-	-	-	-	1,381
Trade & other receivables	448	-	-	-	-	448
Prepayments & accrued income	1,477	-	-	-	-	1,477
Prepaid operating lease charges	-	87	-	-	-	87
Cash and cash equivalents	3,145	-	-	-	-	3,145
	6,451	87	-	-	-	6,538
Total assets	26,542	-	-	-	-	26,542

Note explicative

Notes to the financial statements
For the period ended 28 September 2008

28 First time adoption of international financial reporting standards continued

Reconciliation of movements between UK GAAP and IFRS

Balance sheet as at 23 September 2007 continued

	Under UK GAAP £'000	Lease premiums (A) £'000	Computer software (B) £'000	Lease incentives (C) £'000	Taxation effect (D) £'000	Restated under IFRS £'000
Current liabilities						
Trade and other payables	3,803	-	-	-	-	3,803
Other tax and social security	1,535	-	-	-	-	1,535
Accruals and deferred income	4,564	-	-	(728)	-	3,836
Corporation tax liabilities	649	-	-	-	-	649
	10,551	-	-	(728)	-	9,823
Non-current liabilities						
Accruals and deferred income	-	-	-	1,712	-	1,712
Deferred tax liabilities	1,433	-	-	-	(955)	478
	1,433	-	-	1,712	(955)	2,190
Total liabilities	11,984	-	-	984	(955)	12,013
Net assets	14,558	-	-	(984)	955	14,529
Shareholders equity						
Share capital	2,849	-	-	-	-	2,849
Share premium account	1,713	-	-	-	-	1,713
Retained earnings	9,996	-	-	(984)	955	9,967
Shareholders equity	14,558	-	-	(984)	955	14,529

The cash flow statements have not been restated as the adoption of IFRS has had no impact on the underlying cash flows of the business.

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.

Carluccio's PLC

(incorporated and registered in England under number 2001576)

Notice of Annual General Meeting

Notice of the Annual General Meeting of the Company to be held at 9.30 a.m. on 6 February 2009 at Carluccio's, Garrick Street, London WC2E 9BH is set out on pages 74 to 81.

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

Carluccio's PLC

(incorporated and registered in England under number 2001576)

Registered office:

35 Rose Street
Covent Garden
London
WC2E 9EB

22 December 2008

To the Shareholders of Carluccio's PLC

Dear shareholder,

I am pleased to be writing to you with details of our Annual General Meeting ("AGM") and enclosing a copy of the 2008 financial statements. The AGM is being held at 9.30 a.m. on 6 February 2009 at Carluccio's, Garrick Street, London WC2E 9BH. The formal notice of Annual General Meeting is set out on pages 74 to 75.

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 9.30 a.m. on 4 February 2009.

Final dividend

Shareholders are being asked to approve a final dividend of 1.6 pence per ordinary share for the 53 week period ended 28 September 2008. If you approve the recommended final dividend, this will be paid on 20 February 2009 to all ordinary shareholders who were on the register of members on 9 January 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. Additionally, newly appointed Directors must submit themselves for election at the Annual General Meeting following their appointment. At the AGM, Peter Webber and Frank Bandura will submit themselves for re-election by rotation. Sarah Murray has been appointed since the last AGM and will therefore submit herself for election.

New articles of association

We are also asking shareholders to approve a number of amendments to our articles of association primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the existing articles of association is set out in the appendix on pages 80 to 81.

We understand that a number of shareholder bodies, including the Association of British Insurers (the "ABI"), have indicated that they have an issue with resolutions proposed by listed companies seeking to amend their Articles of Association to reflect the corporate representative provisions of the Companies

Act 2006. We understand that the reason the ABI and other bodies are taking this action is that they disagree, as a policy matter, with section 323(4) of the 2006 Act; a provision which states that where a corporate shareholder appoints more than one representative and those corporate representatives exercise their power (such as voting rights) in different ways, the power is treated as not exercised. Whilst we are generally supportive of the ABI's request for the Government to amend the law, we are required to comply with the law as it currently stands and we can assure shareholders that the alterations to the Articles of Association comply fully with the 2006 Act but do not duplicate the provisions of section 323(4). Therefore any amendments to this section or its interpretation can be immediately applied to the Company.

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 9BH 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 12.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 77 to 81.

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

Notice of Annual General Meeting

Carluccio's PLC

This year's annual general meeting will be held at 9.30 a.m. on 6 February 2009 at Carluccio's, Garrick Street, London WC2E 9BH. You will be asked to consider and pass the resolutions below. Resolutions 11 and 12 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 53 week period ended 28 September 2008.
2. To declare a final dividend of 1.6 pence per ordinary share for the 53 week period ended 28 September 2008.
3. That Frank Bandura, who retires by rotation pursuant to Article 74 of the Company's Articles of Association and who, being eligible, offers himself for re-election, be re-elected as a Director.
4. That Peter Webber, who retires by rotation pursuant to Article 74 of the Company's Articles of Association and who, being eligible, offers himself for re-election, be re-elected as a Director.
5. That the appointment of Sarah Murray as a Director, such appointment having occurred after the conclusion of the last Annual General Meeting of the Company, be approved and confirmed.
6. 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.
7. To authorise the Directors to determine the remuneration of the Auditors.
8. That the Directors be and they are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £952,627.65, provided that this authority shall expire at the conclusion of the annual general meeting of the Company in 2010 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 relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired; and all previous such authorities shall cease to have effect.
9. 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 2010 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.
10. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163(3) of that Act) on the AIM market operated by London Stock Exchange plc 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 5,703,766 (representing approximately 10 per cent of the Company's issued ordinary share capital);
- (b) the minimum price which may be paid for such shares is 5 pence per share;
- (c) the maximum price which may be paid for an ordinary share shall not be more than 5 per cent above the average of the middle market quotations for an ordinary share as derived from the AIM appendix to 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 2010, 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.

Special resolutions

11. That the Directors be and they are hereby empowered to allot equity securities (within the meaning of section 94(2) of the Companies Act 1985) pursuant to the authority conferred by resolution 8 set out in the notice of meeting of which this resolution forms part, as if section 89(1) of that Act did not apply to such allotment, provided that this power shall expire on the conclusion of the annual general meeting of the

Company in 2010 or 15 months following the passing of this resolution, whichever is the earlier, and 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 (as so defined), in proportion to their respective entitlements to such equity securities, subject to such exclusions or arrangements as the Directors shall deem necessary or expedient in relation to fractional entitlements or legal problems under the laws of any territory or the requirements of any relevant regulatory body or any stock exchange in any territory; and
- (b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £142,594.15;

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 equity securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired; and all previous such authorities shall cease to have effect.

12. That 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.

22 December 2008

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

Notice of Annual General Meeting

Notes

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 7580 3050.
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, The Registry, 34 Beckenham Road, Beckenham, Kent BR2 4BR no later than 9.30 a.m. on 4 February 2009.
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 9.30 a.m. on 4 February 2009 (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 22 December 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 57,037,660 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 22 December 2008 are 57,037,660.
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 9.30 am on 4 February 2009. 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 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.

9. 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.
10. 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 to the notice of Annual General Meeting

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

Resolutions 1 to 9 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 11 and 12 (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 53 week period ended 28 September 2008 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 53 week period ended 28 September 2008. If shareholders approve the recommended dividend, it will be paid on 20 February 2009 to shareholders on the register at the close of business on 9 January 2009.

Resolutions 3 to 5: Election and re-election of Directors

Since the AGM in 2008 Sarah Murray has been appointed as a Director of the Company. In accordance with the Articles of Association, she must offer herself for re-election at the next AGM. In addition, Frank Bandura and Peter Webber will to submit themselves for re-election by rotation pursuant to the Articles of Association.

Notice of Annual General Meeting

Biographical details of each of the Directors are contained on page 33.

Resolution 6: Re-appointment of the Auditor

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

Resolution 7: 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 8: Authority to allot shares

This resolution is to renew the general authority to allot shares given to the Board at the 2008 Annual General Meeting. The resolution will give the Board the authority to allot up to 19,012,553 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 2010. It is the Directors' intention to seek renewal of this authority annually.

Resolution 9: Political donations

Neither the Company nor any of its subsidiaries have made any donations to political parties in the European Union ("EU") in 2008 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 Act, the Directors of the Company consider it prudent to seek shareholders' approval for a general level of donation. Resolution 9 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 2010, or, if earlier, 15 months after the date of the passing of this resolution.

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 would expire at the conclusion of the Annual General Meeting held in 2010 or 15 months from the date of the passing of the resolution, whichever is the earlier, and the Directors intend to seek renewal of this power annually.

The resolution specifies the maximum number of shares the Company can buy (representing 10 per cent of the Company's issued ordinary share capital as at the date hereof) and the maximum and minimum prices at which the Company can buy them, reflecting the requirements of the Companies Act 1985.

The Company would only buy shares on the AIM market operated by 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.

Resolution 11: Allotment of shares for cash

If equity securities (as defined by section 94 of the Companies Act 1985) are to be allotted and are to be paid for in cash, section 89(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 ‘pre-emption rights’.

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 1985 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 10 asks shareholders to do this, but only for equity securities having a maximum aggregate nominal value of £142,594.15 (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 11, 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 at the conclusion of the Company’s annual general meeting in 2010 or 15 months from the date of the resolution, whichever is earlier. It is the Directors’ intention to seek the renewal of this authority annually.

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.

Resolution 12: Adoption of new articles of association

It is proposed in resolution 12 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 Companies Act 2006. The principal changes introduced in the New Articles are summarised in the Appendix. The New Articles, showing all the changes to the Current Articles, are available for inspection, as noted on page 73.

Appendix

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

1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings.

2. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

3. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been removed in the New Articles.

4. Convening general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

5. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

6. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good

faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

7. Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

8. Distribution of assets otherwise than in cash

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

9. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in

addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

10. Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

11. Age limit on Directors

The provisions of the Companies Act 1985 requiring shareholder approval for the appointment to the board of a public company of any director aged 70 or over, have been repealed by the Companies Act 2006. Accordingly the relevant Article is removed from the New Articles.

12. General

Generally the opportunity has been taken to bring clearer language into the New Articles.

Informazioni sulla società

Company information

Directors:

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

Secretary:

Frank Bandura

Registered office:

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Covent Garden
London, WC2E 9EB

Registered number:

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Broker and nominated advisor:

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Solicitors:

Orrick, Herrington & Sutcliffe
Tower 42, Level 35
25 Old Broad Street
London, EC2N 1HQ

Auditors:

BDO Stoy Hayward LLP
55 Baker Street
London, W1U 7EU

Registrars:

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

Financial public relations:

Hogarth Partnership
No 1 London Bridge
London, SE1 9BG

Sedi

Locations

Central London

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

Greater London

Brent Cross, Fenwick
Chiswick
Ealing
Earlsfield
Fulham Road
Hampstead
Heathrow T5
Islington
Notting Hill
Putney
St John's Wood

Berkshire

Reading
Windsor

Cambridgeshire

Cambridge

Hertfordshire

St. Albans

Kent

Bluewater
Tunbridge Wells

Leicestershire

Leicester

Manchester

Spinningfields
Trafford Centre

Oxfordshire

Bicester
Oxford

Bristol

Bristol

Surrey

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

East Sussex

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Warwickshire

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