FLANIGANS ENTERPRISES INC
Form 10-Q
May 15, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

or

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number I-6836

Flanigan's Enterprises, Inc.
(Exact name of registrant as specified in its charter)

Florida	59-0877638
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5059 N.E. 18th Avenue, Fort Lauderdale, Florida	33334
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code, (954) 377- 1961

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been the subject to such filing requirements for the past 90 days.
Yes |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [_] Accelerated filer [ ] Non-accelerated [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes [_] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date. On May 15, 2007, 1,892,993 shares of Common Stock, $0.10 par value, were outstanding.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

March 31, 2007

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION AND SIGNATURES

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Amounts)

	Thirteen Weeks Ended		Twenty Six Weeks Ended	
	March 31 2007	April 1 2006	March 31 2007	April 1 2006
Revenues:				
Restaurant food sales	$ 10,029	$ 8,641	$ 19,059	$ 16,035
Restaurant beverage sales	2,349	1,994	4,436	3,726
Package store sales	3,531	3,439	7,013	7,192
Franchise-related revenues	308	285	608	546
Owner's fee	40	38	80	75
Other operating income	47	80	93	151
	16,304	14,477	31,289	27,725
Costs and Expenses:				
Cost of merchandise sold:				
Restaurants and lounges	4,180	3,623	7,995	6,737
Package goods	2,519	2,449	5,063	5,168
Payroll and related costs	4,542	4,274	8,604	7,808
Occupancy costs	945	783	1,764	1,537
Selling, general and administrative expenses	3,308	2,836	6,341	5,302
	15,494	13,965	29,767	26,552
Income from Operations	810	512	1,522	1,173
Other Income (Expense):				
Interest expense	(125)	(38)	(258)	(71)
Interest and other income	34	16	70	38
Insurance recovery, net of casualty loss	--	405	--	450
	(91)	383	(188)	417
Income Before Provision for Income Taxes and Minority Interests in Earnings of Consolidated Limited Partnerships	719	895	1,334	1,590
Provision for Income Taxes	(184)	(262)	(367)	(447)
Minority Interest in Earnings of Consolidated Limited Partnerships	(203)	(51)	(311)	(199)
Net Income	$ 332	$ 582	$ 656	$ 944

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands Except Per Share Amounts)

(Continued)

	Thirteen Weeks Ended		Twenty Six Weeks Ended	
	March 31 2007	April 1 2006	March 31 2007	April 200
Net Income Per Common Share:				
Basic	$ 0.18	$ 0.31	$ 0.35	$
Diluted	$ 0.17	$ 0.30	$ 0.34	$
Weighted Average Shares and Equivalent Shares Outstanding				
Basic	1,887,917	1,879,809	1,886,059	1,87
Diluted	1,915,176	1,908,919	1,912,122	1,90

See accompanying notes to unaudited condensed consolidated financial statements.

-4-

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2007 (UNAUDITED) AND SEPTEMBER 30, 2006
(In Thousands)

ASSETS

	MARCH 31 2007	SEPTEMBER 30 2006
Current Assets:		
Cash and cash equivalents	$ 3,369	$ 1,698
Notes and mortgages receivable, current maturities, net	58	12
Due from franchisees	212	569
Other receivables	153	821
Inventories	2,383	2,215
Prepaid expenses	1,291	813
Deferred tax asset	154	187
Total Current Assets	7,620	6,315
Property and Equipment, Net	19,857	18,939

Investment in Limited Partnership	157	153
Other Assets:		
Liquor licenses, net	347	347
Notes and mortgages receivable, net	52	103
Deferred tax asset	396	397
Other	2,294	1,144
Total Other Assets	3,089	1,991
Total Assets	$ 30,723	$ 27,398

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2007 (UNAUDITED) AND SEPTEMBER 30, 2006
LIABILITIES AND STOCKHOLDERS' EQUITY
(In Thousands)

	MARCH 31 2007	SEPTEMBER 30 2006
Current Liabilities:		
Accounts payable and accrued expenses	$ 5,212	$ 4,096
Income taxes payable	92	264
Due to franchisees	500	268
Current portion of long term debt	222	223
Deferred revenues	49	54
Deferred rent	16	14
Total Current Liabilities	6,091	4,919
Long Term Debt, Net of Current Maturities	4,557	4,196
Line of Credit	1,962	762
Deferred Rent, Net of Current Portion	241	223
Minority Interest in Equity of Consolidated Limited Partnerships	6,399	6,506
Commitments, Contingencies and Subsequent Events		
Stockholders' Equity:		
Common stock $.10 par value; 5,000,000 shares authorized		

4,197,642 shares issued	420	420
Capital in excess of par value	6,224	6,203
Retained earnings	10,720	10,064
Treasury stock, at cost 2,308,869 shares at March 31,2007 and 2,313,277 shares at September 30, 2006	(5,891)	(5,895)
Total Stockholders' Equity	11,473	10,792
Total Liabilities and Stockholders' Equity	$ 30,723	$ 27,398

See accompanying notes to unaudited condensed consolidated financial statements.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWENTY SIX WEEKS ENDED MARCH 31, 2007 AND APRIL 1, 2006
(In Thousands)

	MARCH 31 2007	APRIL 1 2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 656	$ 944
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,049	864
Loss on abandonment of property and equipment	23	6
Casualty loss	--	58
Deferred Income Tax	34	(38)
Deferred rent	20	(11)
Minority interest in earnings of consolidated limited partnerships	311	199
Income from unconsolidated limited partnership	(4)	(13)
Recognition of deferred revenue	(5)	(4)
Changes in operating assets and liabilities:		
(Increase)decrease in:		
Due from franchisees	357	82
Other receivables	175	(529)
Inventories	(168)	(183)
Prepaid expenses	(478)	(368)
Other assets	(1,104)	(874)
Increase(decrease)in:		
Accounts payable and accrued expenses	1,116	1,200
Income tax payable	(172)	(60)
Due to franchisees	232	82
Net cash provided by operating activities	2,042	1,355

Cash flows from Investing Activities:

Collection on notes and mortgages receivable	5	7
Purchase of property and equipment	(1,738)	(1,116)
Purchase of assets of franchised restaurant	(100)	--
Proceeds from sale of marketable securities	381	--
Proceeds from sale of fixed assets	92	--
Proceeds from insurance settlement	112	--
Net cash used in investing activities	(1,248)	(1,109)

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE TWENTY SIX WEEKS ENDED MARCH 31, 2007 AND April 1, 2006
(In Thousands)

	MARCH 31 2007	APRIL 1 2006
Cash flows from Financing Activities:		
Payment of long term debt	(102)	(147)
Proceeds from long term debt	172	--
Proceeds from line of credit	1,200	762
Dividends paid	--	(658)
Purchase of treasury stock	(9)	(43)
Purchase of minority limited partnership Interest	--	(8)
Distributions to limited partnership minority partners	(418)	(565)
Proceeds from exercise of stock options	34	117
Net cash provided by (used in) financing activities	877	(542)
Net Increase (Decrease) in Cash and Cash Equivalents	1,671	(296)
Cash and Cash Equivalents, Beginning of Period	1,698	2,674
Cash and Cash Equivalents, End of Period	$ 3,369	$ 2,378
Supplemental Disclosure for Cash Flow Information:		
Cash paid during period for:		
Interest	$ 258	$ 71
Income taxes	$ 497	$ 424

Supplemental Disclosure for Non-Cash Investing and

Financing Activities:

Purchase of vehicle in exchange for debt	$ --	$ 70
Purchase of real property in exchange for debt	$ 250	$ --

See accompanying notes to unaudited condensed consolidated financial statements.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

(1) BASIS OF PRESENTATION:

The accompanying financial information for the periods ended March 31, 2007 and April 1, 2006 are unaudited. Financial information as of September 30, 2006 has been derived from the audited financial statements of the Company, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the Consolidated Financial Statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2006. Operating results for interim periods are not necessarily indicative of results to be expected for a full year.

These financial statements include estimates relating to performance based officers' bonuses. The estimates are reviewed periodically and the effects of any revisions are reflected in the financial statements in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may take in the future, they may ultimately differ from actual results.

(2) EARNINGS PER SHARE:

Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per share establishes standards for computing and presenting earnings per share ("EPS"). This statement requires the presentation of basic and diluted EPS. The data on Page 4 shows the amounts used in computing earnings per share and the effects on income and the weighted average number of shares of potential dilutive common stock equivalents.

(3) RECLASSIFICATION:

Certain amounts in the fiscal year 2006 financial statements have been reclassified to conform to the fiscal year 2007 presentation.

(4) RECENT ACCOUNTING PRONOUNCEMENTS:

In February 2007, the FASB issued SFAS 159, "Fair Value Option for Financial Assets and Liabilities" which permits an entity to choose to measure many financial instruments and certain other items at fair value. The standard contains an amendment to SFAS 115 pertaining to available-for-sale and trading securities. The objective of the standard is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of SFAS 159 are effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of Statement 159 at the beginning of fiscal year 2009 to have a material impact.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 requires

companies to evaluate the materiality of identified unadjusted errors on each financial statement and related disclosures using both the rollover and the iron curtain approach. SAB 108 applies to annual financial statements for fiscal years ending after November 15, 2006. The adoption of SAB 108 at the beginning of fiscal year 2007 did not have a material impact on the financial condition or results of operation of the Company.

In September 2006, the FASB issued SFAS 157, "Fair Value Measurements" which provides guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. The standard clarifies that for items that are not actively traded, such as certain kinds of derivatives, fair value should reflect the price in a transaction with a market participant, including an adjustment for risk, not just the company's mark-to-model value. SFAS 157 also requires expanded disclosure of the effect on earnings for items measured using unobservable data. The provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect the adoption of Statement 157 at the beginning of fiscal year 2009 to have a material impact.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of SFAS Statement No. 109. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS Statement No. 109, Accounting for Income Taxes. This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of Interpretation No. 48 may have upon the financial condition or results of operation of the Company.

(5) INVESTMENT IN LIMITED PARTNERSHIPS:

Davie, Florida

During the second quarter of fiscal year 2007, the Company, as general partner of a limited partnership, entered into a new lease for the business premises and closed on the purchase of the rights to the existing restaurant in Davie, Florida to renovate and operate under the "Flanigan's Seafood Bar and

Grill" servicemark. The purchase price was $650,000. The estimate for renovations and pre-opening expenses is an additional $2,250,000. The funds necessary for this limited partnership, ($2,900,000) will be raised through a private offering, which the limited partnership plans to commence and complete during the fourth quarter of fiscal year 2007. As of March 31, 2007, the Company had advanced approximately $758,000 to the limited partnership. The Company acts as general partner and will own up to thirty percent of the limited partnership. The restaurant is expected to open for business during the first quarter of fiscal year 2008.

Pembroke Pines, Florida

During the second quarter of fiscal year 2007, the limited partnership commenced and subsequent to the end of the second quarter of fiscal year 2007, completed its private offering, raising the sum of $2,350,000 to complete the renovation of the business premises to operate as a "Flanigan's Seafood Bar and Grill" restaurant, which also reimbursed approximately $300,000 to the Company for advances made in excess of its investment, ($380,000), in the same. Subsequent to the end of the second quarter of fiscal year 2007, building permits were issued to the limited partnership, enabling the

limited partnership to proceed with its renovations to the business premises. The Company acts as general partner and owns sixteen percent of the limited partnership. The restaurant is expected to open for business during the fourth quarter of fiscal year 2007.

(6) PURCHASE OF FRANCHISED RESTAURANT:

Lake Worth, Florida

During the second quarter of fiscal year 2007, the Company purchased the assets of the franchised restaurant located at 2401 10th Avenue North, Lake Worth, Palm Beach County, Florida from its franchisee for a purchase price of $100,000. The purchase price was allocated between the leasehold interest ($45,000), and furniture and equipment, ($55,000). The lease for the business premises was to expire on November 15, 2007, with the franchisee electing not to exercise the final five (5) year renewal option. As a part of the assignment of the lease to the Company, the landlord agreed to extend the term of the lease until November 15, 2008 under the same terms and conditions, with two (2) three (3) year renewal options at a fixed, increased annual rent. As of March 4, 2007, the franchised restaurant began operating as a Company owned restaurant.

(7) INVESTMENT IN REAL PROPERTY:

Hallandale, Florida

During the second quarter of fiscal year 2007, the Company entered into a contract for the purchase of real property which is located adjacent to the parking lot of the Company's combination restaurant and package liquor store located at 4 North Federal Highway, Hallandale, Florida, (Store #31). A residence, consisting of approximately 1,200 square feet, is located upon the property and is leased to an unrelated third party for a monthly rental of $1,450. The purchase price for this property is $600,000 and will be partially financed with a private mortgage in the principal amount of $450,000. The mortgage bears interest at the rate of ten (10%) percent per annum, is amortized over thiry (30) years, with equal monthly payments of principal and interest, each in the amount of $3,949.07 with the entire principal balance and all accrued interest due in ten (10) years. Subsequent to the end of the second quarter of fiscal year 2007, the Company closed on the purchase of the real property.

North Miami, Florida

During the second quarter of fiscal year 2007, the Company entered into a Sale and Purchase Agreement to sell the real property located at 732 - 734 N.E. 125th Street, North Miami, Florida (Store #27), which real property the Company purchased during the first quarter of fiscal year 2007, to the sublessee, an unrelated third party. The sales price for this property is $780,000, including the interest of the Company in the liquor license. Subsequent to the end of the second quarter of fiscal year 2007, the Company closed on the sale of the real property, including the interest of the Company in the liquor license, and expects a gain of approximately $390,000 to be realized from the sale.

(8) LINE OF CREDIT:

During the second quarter of fiscal year 2007, the Company paid monthly installments of interest only on its line of credit. During the second quarter of fiscal year 2007, no payments were made to reduce the principal balance, nor were any additional draws made on the same. As of March 31, 2007, the principal balance outstanding was $1,962,000. Subsequent to the end of the second quarter of fiscal year 2007, the Company made a principal payment of $750,000, reducing the outstanding principal balance on the line of credit to $1,212,000. The line of credit matures as of December 26, 2008.

-11-

(9) INCOME TAXES:

Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes, requires among other things, recognition of future tax benefits measured at enacted rates attributable to deductible temporary differences between financial statement and income tax basis of assets and liabilities and to tax net operating loss carryforwards and tax credits to the extent that realization of said tax benefits is more likely than not.

(10) STOCK OPTION PLANS:

The Company has several stock option plans under which qualified stock options may be granted to officers and other employees of the Company. The option price for qualified stock options must be issued at 110% of the fair market value of the Company's Common Stock on the date the options are granted. In general, options granted under the Company's stock option plans expire after a five (5) year period and generally vest no later than one (1) year from the date of grant. As of March 31, 2007, there were approximately 45,000 shares available for grant under the Company's stock option plans.

No stock options were granted during the twenty six weeks ended March 31, 2007, nor were stock options granted during the twenty six weeks ended April 1, 2006.

Stock option exercises during the twenty six weeks ended March 31, 2007 and April 1, 2006 resulted in cash inflows to the Company of $34,000 and $117,000, respectively. The corresponding intrinsic value as of the exercise date of the 5,050 and 24,070 stock options exercised during the twenty six weeks ended March 31, 2007 and April 1, 2006 were $22,000 and $124,000, respectively.

Stock option activity during the twenty six weeks ended March 31, 2007 was as follows:

	Total Options	Weighted Average Exercise Price
Outstanding at September 30, 2006	67,850	$ 6.27
Granted	--	--
Exercised	(5,050)	$ 6.35
Expired	(2,600)	$ 6.13
Outstanding at March 31, 2007	60,200	$ 6.27
Options exercisable at March 31, 2007	60,200	$ 6.27

The weighted-average remaining contractual terms of stock options outstanding and stock options exercisable at March 31, 2007 was 1.68 years. The aggregate intrinsic value of options outstanding and stock options exercisable

at March 31, 2007 was approximately $295,000.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation", supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." The statement eliminates the alternative to use the intrinsic value method of accounting that was provided in SFAS No. 123, which generally resulted in no compensation expense recorded in financial statements related to the issuance of equity awards to employees. The statement also requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. It establishes fair value as the measurement objective in accounting for share-based payment arrangements and generally requires all companies to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees. The Company adopted SFAS No. 123R effective January 1, 2006, using a modified version of prospective application in accordance with the statement. This application requires the Company to record compensation expense for all awards granted to employees and directors after the adoption date and for the unvested portion of awards that are outstanding at the date of adoption. The Company had no unvested stock options as of September 30, 2006 and granted no stock options in the twenty six weeks ended March 31, 2007, so there is no impact of SFAS No. 123R on the Company's condensed consolidated financial statements for the twenty six weeks ending March 31, 2007.

(11) COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS:

Guarantees

The Company guarantees various leases for franchisees, limited partnerships and locations sold in prior years. Remaining rental commitments required under these leases are approximately $1,350,000. In the event of a default under any of these agreements, the Company will have the right to repossess the premises and operate the business to recover amounts paid under the guarantee either by liquidating assets or operating the business.

Litigation

The corporate offices consist of a two (2) story building, with space initially set aside on the ground floor for a package liquor store. The Company filed suit against the adjacent shopping center to determine the Company's right to non-exclusive parking in the shopping center. During the second quarter of fiscal year 2007, the appellate court affirmed the granting of a summary judgment in favor of the shopping center. Subsequent to the end of the second quarter of fiscal year 2007, the Company filed its motion for a re-hearing of its appeal before the entire appellate court, alleging obvious errors in the appellate decision.

During the first quarter of fiscal year 2007, the Company filed suit against the landlord of the limited partnership which owns the restaurant in Pinecrest, Florida seeking to recover the cost of structural repairs to the business premises which it contends were the responsibility of the landlord pursuant to the terms of the lease and to recover rent paid while the structural repairs delayed the renovation of the business premises. The complaint includes a count by the limited partnership seeking a determination by the court that it has the exclusive right to the use of the pylon sign in front of the business premises. During the second quarter of fiscal year 2007, the landlord filed its

answer to the complaint denying liability for structural repairs to the business premises, denying any obligation to reimburse the limited partnership for any rent paid while structural repairs delayed its renovations and denying the limited partnership's right to use the pylon sign. The lawsuit is in the discovery stage.

Certain states have liquor liability (dram shop) laws which allow a person injured by an "obviously intoxicated person" to bring a civil suit against the business (or social host) who had served intoxicating liquors to an already "obviously intoxicated person". Dram shop claims normally involve traffic accidents and the Company generally does not learn of dram shop claims until after a claim is filed and then the Company vigorously defends these claims on the grounds that its employee did not serve an "obviously intoxicated person". Damages in most dram shop cases are substantial. At the present time, there are no dram shop cases pending against the Company. The Company maintains general liability insurance. See Item 1, "General Liability Insurance" on page 14 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2006 for a discussion of general liability insurance.

There is no material pending legal proceedings, other than ordinary routine litigation incident to the business, none of which the Company believes is material.

(12) BUSINESS SEGMENTS

The Company operates principally in two segments - retail package stores and restaurants. The operation of package stores consists of retail liquor sales.

Information concerning the revenues and operating income for the thirteen and twenty six weeks ended March 31, 2007 and April 1, 2006, and identifiable assets for the two segments in which the Company operates, are shown in the following table. Operating income is total revenue less cost of merchandise sold and operating expenses relative to each segment. In computing operating income, none of the following items have been included: interest expense, other non-operating income and expense and income taxes. Identifiable assets by segment are those assets that are used in the Company's operations in each segment. Corporate assets are principally cash, notes and mortgages receivable, real property, improvements, furniture, equipment and vehicles. The Company does not have any operations outside of the United States and intersegment transactions are not material.

	Thirteen Weeks Ended March 31, 2007	Thirteen Weeks Ended April 1, 2006
Operating Revenues:		
Restaurants	$ 12,378	$ 10,635
Package stores	3,531	3,439
Other revenues	395	403
Total operating revenues	$ 16,304	$ 14,477
Operating Income Reconciled to Income Before Income Taxes and Minority Interest in Earnings of Consolidated Limited Partnerships		
Restaurants	$ 1,307	$ 1,078
Package stores	202	238
	1,509	1,316

Corporate expenses, net of other Revenues	(699)	(804)
Operating income	810	512
Other income (expense)	(91)	383
Income Before Income Taxes and Minority Interest in Earnings of Consolidated Limited Partnerships	$ 719	$ 895
Depreciation and Amortization:		
Restaurants	$ 379	$ 303
Package stores	64	57
	443	360
Corporate	92	74
Total Depreciation and Amortization	$ 535	$ 434
Capital Expenditures:		
Restaurants	$ 600	$ 479

Package stores	120	53
	720	532
Corporate	69	128
Total Capital Expenditures	$ 789	$ 660

	Twenty Six Weeks Ended March 31, 2007	Twenty Six Weeks Ended April 1, 2006
Operating Revenues:		
Restaurants	$ 23,495	$ 19,761
Package stores	7,013	7,192
Other revenues	781	772
Total operating revenues	$ 31,289	$ 27,725
Operating Income Reconciled to Income Before Income Taxes and Minority Interest in Earnings of Consolidated Limited Partnerships		
Restaurants	$ 2,244	$ 1,831
Package stores	382	541
	2,626	2,372
Corporate expenses, net of other Revenues	(1,104)	(1,199)
Operating income	1,522	1,173
Other income (expense)	(188)	417
Income Before Income Taxes and Minority Interest in Earnings of Consolidated Limited Partnerships	$ 1,334	$ 1,590

Depreciation and Amortization:		
Restaurants	$ 745	$ 596
Package stores	123	112
	868	708
Corporate	181	156
Total Depreciation and Amortization	$ 1,049	$ 864
Capital Expenditures:		
Restaurants	$ 1,408	$ 652
Package stores	200	75
	1,608	727
Corporate	435	459

Total Capital Expenditures	$ 2,043	$ 1,186

Identifiable Assets:	March 31, 2007	September 30, 2006
Restaurants	$ 17,739	$ 15,635
Package store	3,802	3,602
	21,541	19,237
Corporate	9,182	8,161
Consolidated Totals	$ 30,723	$ 27,398

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Reported financial results may not be indicative of the financial results of future periods. All non-historical information contained in the following discussion constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words such as "anticipates, appears, expects, trends, intends, hopes, plans, believes, seeks, estimates, may, will," and variations of these words or similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to customer demand and competitive conditions. Factors that could cause actual results to differ materially are included in, but not limited to, those identified in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Annual Report on Form 10-K for the Company's fiscal year ended September 30, 2006 and in this Quarterly Report on Form 10-Q. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may reflect events or circumstances after the date of this report.

The Company owns and /or operates full service restaurants, package liquor stores and an adult entertainment oriented club (collectively the "units"). At March 31, 2007, the Company operated 22 units and had equity interests in six units which have been franchised by the Company. The table below sets out the changes, if any, in the type and number of units being operated.

Types of Units	March 31 2007	Sept. 30 2006	April 1 2006	Note Number
Company Owned:				
Combination package and restaurant	4	4	4	
Restaurant only	3	2	2	(1)
Package store only	5	5	5	
Company Managed Restaurants Only:				
Limited partnerships	7	7	6	(2)(3)(4)

Franchise	1	1	1	
Unrelated Third Party	1	1	--	(5)
Company Owned Club:	1	1	1	
Total Company Owned/Operated Units	22	21	19	
Franchised units	6	7	7	(6)

Notes:

(1) During the second quarter of fiscal year 2007, the Company purchased the assets of a franchised restaurant in Lake Worth, Florida, which franchised restaurant was operating under the "Flanigan's Seafood Bar and Grill" servicemark. The restaurant opened for business as a Company-owned location on March 4, 2007.

(2) During the third quarter of fiscal year 2003, the Company, as general partner of the limited partnership, entered into a Sale of Business Agreement for the purchase of an existing business in Pinecrest, Florida, which transaction closed during the first quarter of fiscal year 2004. During the third quarter of fiscal year 2006, the limited partnership raised funds through a private offering to renovate the business premises for operation as a "Flanigan's Seafood Bar and Grill" restaurant. The Company acts as general partner and owns a thirty nine percent limited partnership interest. The restaurant opened for business on August 14, 2006.

(3) During the first quarter of fiscal year 2006, the Company, as agent for a limited partnership to be formed, entered into a contract to purchase an existing restaurant location in Davie, Florida to renovate and operate a restaurant under the "Flanigan's Seafood Bar and Grill" servicemark. During the second quarter of fiscal year 2007, the limited partnership closed on the purchase of the existing restaurant location. The restaurant is expected to open for business during the first quarter of fiscal year 2008, provided the landlord's approval of building plans and all necessary zoning approvals, variances and/or special use permits are timely received. This restaurant is not included in the table of units.

(4) During the third quarter of fiscal year 2006, the Company, as agent for a limited partnership to be formed, entered into a contract to purchase an existing restaurant location in Pembroke Pines, Florida to renovate and operate a restaurant under the "Flanigan's Seafood Bar and Grill" servicemark. During the first quarter of fiscal year 2007, the limited partnership closed on the purchase of the existing restaurant location. During the second quarter of fiscal year 2007, the limited partnership commenced and subsequent to the end of the second quarter of fiscal year 2007, completed its private offering, raising funds to renovate the business premises for operation as a "Flanigan's Seafood Bar and Grill" restaurant. Subsequent to the end of the second quarter of fiscal

year 2007, building permits were issued to the limited partnership. The Company acts as general partner and owns a sixteen percent limited partnership interest. The restaurant is expected to open for business during the fourth quarter of fiscal year 2007. This restaurant is not included in the table of units.

(5) During the second quarter of fiscal year 2006, the Company assumed the management of an existing restaurant in Deerfield Beach, Florida under its

current format, "The Whale's Rib", pursuant to a management agreement whereby the Company is entitled to one-half (1/2) of the net profit from the operation of the same. This restaurant is included in the table of units.

(6) The Company manages the restaurant for one (1) franchisee with respect to one (1) of the six (6) franchised units. The franchised restaurant is included in the table of units as a restaurant operated by the Company and the franchise is also included as a unit franchised by the Company and in which the Company has an interest.

Results of Operations

	Thirteen Weeks Ended			
	March 31, 2007		April 1, 2006	
	Amount	Percent	Amount	Percent
	(In Thousands)		(In Thousands)	
Restaurant food sales	$10,029	63.04	$ 8,641	61.40
Restaurant bar sales	2,349	14.77	1,994	14.17
Package store sales	3,531	22.19	3,439	24.43
Total sales	$15,909	100.00	$14,074	100.00
Franchise related revenues	308		285	
Owner's fee	40		38	
Other operating income	47		80	
Total Revenue	$16,304		$14,477	

	Twenty Six Weeks Ended			
	March 31, 2007		April 1, 2006	
	Amount	Percent	Amount	Percent
	(In Thousands)		(In Thousands)	
Restaurant food sales	$19,059	62.47	$16,035	59.49
Restaurant bar sales	4,436	14.54	3,726	13.83
Package store sales	7,013	22.99	7,192	26.68
Total sales	$30,508	100.00	$26,953	100.00
Franchise related revenues	608		546	
Owner's fee	80		75	
Other operating income	93		151	
Total Revenue	$31,289		$27,725	

-18-

Comparison of Thirteen Weeks Ended March 31, 2007 and April 1, 2006

Notwithstanding an increase in total revenue of $1,827,000 in the second quarter of fiscal year 2007 when compared to the second quarter of fiscal year 2006, net income decreased to $332,000 from $582,000 in the second quarter of fiscal year 2007. The increase in total revenue is primarily due to the restaurant in Pinecrest, Florida ($1,212,000) being open during the second quarter of fiscal year 2007 and menu price increases. The decrease in net income during the second quarter of fiscal year 2007 is primarily due to the Company's recognition of an insurance recovery, net of casualty loss, in the amount of $405,000, during the second quarter of fiscal year 2006. Higher overall expenses, including real property taxes, property and windstorm insurance coverage, interest expense due to the mortgage on the Company's Hallandale property and its line of credit and a higher effective tax rate, all adversely affected net income during the thirteen weeks ended March 31, 2007. Higher food costs, with the exception of the Company's price for ribs for calendar year 2007, and overall expenses are expected to continue increasing, but management believes that the menu price increases put into effect during the first quarter of fiscal year 2007 will offset the increases in food costs and overall expenses throughout the balance of fiscal year 2007.

As the table above illustrates, total revenues in the thirteen weeks ended March 31, 2007 increased by 12.62% as compared to the total revenues for the thirteen weeks ended April 1, 2006 primarily due to the restaurant in Pinecrest, Florida, being open for the fiscal quarter. Total revenues should continue to increase due to the restaurant in Pinecrest, Florida being open for the entire fiscal year and the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007.

Restaurant food sales represented 63.04% of total sales in the thirteen weeks ended March 31, 2007 as compared to 61.40% of total sales in the thirteen weeks ended April 1, 2006. The increase in restaurant food sales is due to the restaurant in Pinecrest, Florida, being open for the fiscal quarter, menu price increases and the continued increase in the weekly average of same store restaurant food sales. The weekly average of same store restaurant food sales, which includes six (6) limited partnership restaurants, were $724,000 and $697,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 3.87%. Restaurant food sales should continue to increase due to the restaurant in Pinecrest, Florida being open for the entire fiscal year; the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007; and the expected continued increase in the weekly average of same store restaurant food sales.

Restaurant bar sales represented 14.77% of total sales in the thirteen weeks ended March 31, 2007 as compared to 14.17% of total sales in the thirteen weeks ended April 1, 2006. The increase in restaurant bar sales is due to the restaurant in Pinecrest, Florida being open for the fiscal quarter and the use of promotions to increase restaurant bar sales, without jeopardizing the Company's perception as a family restaurant. The weekly average of same store restaurant bar sales, which includes six (6) limited partnership restaurants, were $172,000 and $161,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 6.83%. Restaurant bar sales should continue to increase due to the restaurant in Pinecrest, Florida being open for the entire fiscal year; the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007; and the expected continued increase in the weekly average of same store restaurant bar sales.

-19-

Package store sales represented 22.19% of total sales in the thirteen weeks ended March 31, 2007, as compared to 24.43% of total sales in the thirteen weeks ended Apri1, 2006. The percentage of package store sales to total sales decreased primarily due to the restaurant in Pinecrest, Florida being open for the fiscal quarter and will continue to decrease as new restaurants are opened. The weekly average of same store package sales were $272,000 and $265,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 2.64%. The increase occurred due to the fact that New Year's Eve fell in the second quarter of fiscal year 2007, as compared to the first quarter of fiscal year 2006. Otherwise, package sales were adversely affected by increased competition during the second quarter of fiscal year 2007 and are expected to decrease throughout the balance of fiscal year 2007 due to the same.

The gross profit margin for restaurant food and bar sales was 66.23% and 65.93% for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively. During the latter part of the first quarter of fiscal year 2007, the Company instituted menu price increases to restore and maintain its gross profit margin for restaurant sales. The gross profit margin for restaurant food and bar sales is expected to remain constant throughout the balance of fiscal year 2007.

The gross profit margin for package store sales was 28.66% and 28.79% for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively. The gross profit margin for package store sales is expected to remain constant throughout the balance of fiscal year 2007.

Operating Costs and Expenses

Operating costs and expenses were $15,494,000 and $13,965,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 10.95%. The increase is due to the operation of the restaurant in Pinecrest, Florida for the fiscal quarter, as well as a general increase in overall operating costs and expenses. Operating costs and expenses are expected to continue increasing throughout the balance of fiscal year 2007 with the restaurant in Pinecrest, Florida being open for the entire fiscal year; anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007; and a general increase in overall operating costs and expenses.

Payroll and related costs were $4,542,000 and $4,274,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 6.27%. The increase is attributed to the operation of the restaurant in Pinecrest, Florida for the fiscal quarter. Throughout the balance of fiscal year 2007, payroll and related costs are expected to increase due to the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007.

Occupancy costs which include rent, common area maintenance, repairs and taxes were $945,000 and $783,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 20.69%. The increase is accounted for primarily by the payment of rent for the restaurants in Pembroke Pines, Florida and Davie, Florida as of the second quarter of fiscal year 2007, and increases in real property taxes and common area maintenance, which generally includes a pro-rata share of property insurance for units located within shopping centers. Occupancy costs will increase during the balance of fiscal year 2007 due primarily to the payment of rent for the restaurants in Pembroke Pines, Florida and Davie, Florida.

Selling, general and administrative expenses were $3,308,000 and $2,836,000 for the thirteen weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 16.64%. The increase in selling, general and administrative expense is accounted for by the operation of the restaurant in Pinecrest, Florida for the fiscal quarter and an overall increase in expenses, as noted above.

Other Income and Expense

Other income and expenses was an expense of $91,000 for the thirteen weeks ended March 31, 2007, as compared to income of $383,000 for the thirteen weeks ended April 1, 2006. Other income and expense for the thirteen weeks ended March 31, 2007 includes interest expense of $125,000, as compared to an expense of $38,000 for the thirteen weeks ended April 1, 2006. The increase in interest expense is due to the interest paid on the Company's line of credit and mortgage used for the purchase of the membership interest of the limited liability company which owns the property in Hallandale, Florida during the thirteen weeks ended March 31, 2007, which did not exist during the thirteen weeks ended April 1, 2006. Other income and expenses for the thirteen weeks ended April 1, 2006 includes insurance recovery, net of casualty loss, of approximately $405,000.

Comparison of Twenty Six Weeks Ended March 31, 2007 and April 1, 2006.

Notwithstanding an increase in total revenue of $3,564,000 in the twenty six weeks ended March 31, 2007 when compared to the twenty six weeks ended April 1, 2006, net income decreased to $656,000 from $944,000 for the twenty six weeks ended March 31, 2007. The increase in total revenue is primarily due to the restaurant in Pinecrest, Florida ($2,497,000) being open during the twenty six weeks ended March 31, 2007 and menu price increases put into effect during the latter part of the first quarter of fiscal year 2007. The decrease in net income during the twenty six weeks ended March 31, 2007 is primarily due to higher food costs and overall expenses, including real property taxes, property and windstorm insurance coverage, interest expense due to the mortgage on the Company's Hallandale property and its line of credit and a higher effective tax rate. In addition, during the twenty six weeks ended April 1, 2006, the Company recognized an insurance recovery, net of casualty loss, in the amount of $450,000. Higher food costs, with the exception of the Company's price for ribs for calendar year 2007, and overall expenses are expected to continue increasing, but management believes that the menu price increases put into effect during the first quarter of fiscal year 2007 will offset the increases in food costs and overall expenses throughout the balance of fiscal year 2007.

As the table above illustrates, total revenues in the twenty six weeks ended March 31, 2007 increased by 12.85% as compared to the total revenues for the twenty six weeks ended April 1, 2006 primarily due to the restaurant in Pinecrest, Florida, being open for the twenty six weeks ended March 31, 2007 and menu price increases made during the first quarter of fiscal year 2007. Total revenues are expected to increase due to the restaurant in Pinecrest, Florida being open for the entire fiscal year and the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007.

Restaurant food sales represented 62.47% of total sales in the twenty six weeks ended March 31, 2007 as compared to 59.49% of total sales in the twenty six weeks ended April 1, 2006. The weekly average of same store restaurant food sales, which now includes six (6) limited partnership restaurants, were $637,000 and $601,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 5.99%. The increase in restaurant food sales is due to the restaurant in Pinecrest, Florida being open for the quarter, menu price increases and the continued increase in the weekly average of same store restaurant food sales. Restaurant food sales should continue to increase due to the restaurant in Pinecrest, Florida being open for the entire fiscal year; the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007; and the continued increase in the weekly average of same store restaurant food sales.

Restaurant bar sales represented 14.54% of total sales in the twenty six weeks ended March 31, 2007 as compared to 13.83% of total sales in the twenty six weeks ended April 1, 2006. The weekly average of same store restaurant bar sales were $152,000 and $140,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 8.57%. The increase in restaurant bar sales is due to the restaurant in Pinecrest, Florida being open during the twenty six weeks ended March 31, 2007 and the use of promotions to increase restaurant bar sales, without jeopardizing the Company's perception as a family restaurant. Restaurant bar sales should continue to increase due to the restaurant in Pinecrest, Florida being open for the entire fiscal year; the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007; and the continued increase in the weekly average of same store restaurant bar sales.

Package store sales represented 22.99% of total sales in the twenty six weeks ended March 31, 2007, as compared to 26.68% of total sales in the twenty six weeks ended April 1, 2006. The percentage of package store sales to total sales decreased primarily due to the restaurant in Pinecrest, Florida being open for the twenty six weeks ended March 31, 2007 and will continue to decrease as new restaurants are opened. The weekly average of same store package sales, were $270,000 and $277,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, a decrease of 2.53%. The decrease was primarily due to increased competition. Package store sales are expected to continue decreasing throughout the balance of fiscal year 2007 due to increased competition.

The gross profit margin for restaurant food and bar sales was 65.97% and 65.91% for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively. The stabilization of gross profit for restaurant and bar sales for the twenty six weeks ended March 31, 2007 was primarily due to menu price increases instituted during the first quarter of fiscal year 2007.

The gross profit margin for package stores sales was 27.81% and 28.14% for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively. The decrease in gross profit margin for package store sales is due to increased competition and the Company's policy of meeting all advertised prices. The gross profit margin for package store sales is expected to remain constant throughout the balance of fiscal year 2007.

Operating Costs and Expenses

Operating costs and expenses were $29,767,000 and $26,552,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 12.11%. The increase is due to the operation of the restaurant in Pinecrest, Florida for the twenty six weeks ended March 31, 2007, as well as a general increase in overall operating costs and expenses. Operating costs and expenses are expected to continue increasing throughout the balance of fiscal year 2007 with the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007 and a general increase in overall operating costs and expenses.

Payroll and related costs were $8,604,000 and $7,808,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 10.19%. The increase is attributed to the operation of the restaurant in Pinecrest, Florida for the twenty six weeks ended March 31, 2007. Throughout the balance of fiscal year 2007 payroll and related costs are expected to increase due to the anticipated opening of the restaurant in Pembroke Pines, Florida during the fourth quarter of fiscal year 2007.

Occupancy costs which include rent, common area maintenance, repairs and taxes were $1,764,000 and $1,537,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 14.77%. The increase is accounted for primarily by the payment of rent for the restaurants in Pembroke Pines, Florida and Davie, Florida as of the second quarter of fiscal year 2007, increases in common area charges for units located within shopping centers and increased accruals for real property taxes.

Selling, general and administrative expenses were $6,341,000 and $5,302,000 for the twenty six weeks ended March 31, 2007 and April 1, 2006, respectively, an increase of 19.60%. The increase in selling, general and administrative expense is accounted for by the operation of the restaurant in Pinecrest, Florida for the twenty six weeks ended March 31, 2007 and an overall increase in expenses, as noted above.

Other Income and Expense

Other income and expenses was an expense of $188,000 for the twenty six weeks ended March 31, 2007, as compared to income of $417,000 for the twenty six weeks ended April 1, 2006. Other income and expense for the twenty six weeks ended March 31, 2007 includes interest expense of $258,000, as compared to $71,000 for the twenty six weeks ended April 1, 2006. The increase in interest expense is due to the interest paid on the Company's line of credit and mortgage used for the purchase of the membership interest of the limited liability company which owns the property in Hallandale, Florida during the twenty six weeks ended March 31, 2007, which did not exist during the twenty six weeks ended April 1, 2006. Other income and expenses for the twenty six weeks ended April 1, 2006 includes insurance recovery, net of casualty loss, of $450,000.

New Limited Partnership Restaurants

As the Company opens new limited partnership restaurants on a more regular basis the Company's income from operations will be adversely affected by the higher costs associated with the opening of the same. The higher costs include, but are not limited to pre-opening rent. During the twenty six weeks ended March 31, 2007, the Company recognized non-cash pre-opening rent in the approximate amount of $18,000 and recognized cash pre-opening rent in the approximate amount of $35,000 for the new limited partnership restaurant in Pembroke Pines, Florida. During the twenty six weeks ended March 31, 2007, the Company also paid and expensed pre-opening rent in the approximate amount of $48,000 for the new limited partnership restaurant in Davie, Florida, which is the full rent provided in the lease. During the twenty six weeks ended April 1, 2006, the Company paid and expensed pre-opening rent for the limited partnership restaurant in Pinecrest, Florida, in the approximate amount of $103,000, which was the full rent provided in the lease. The Company is recognizing rent expense on a straight line basis over the term of the lease.

Throughout the balance of fiscal year 2007, income from operations will be adversely affected by the pre-opening costs to be incurred for the new limited partnership restaurants in Pembroke Pines, Florida and Davie, Florida, including but not limited to the payment and expensing of pre-opening rent.

Trends

During the next twelve months management expects continued increases in restaurant sales, due primarily to the restaurant in Pinecrest, Florida being open for the entire fiscal year; the anticipated opening of the restaurants in Pembroke Pines, Florida and Davie, Florida; and continued increases in same store restaurant sales. Package store sales are expected to decrease due primarily to increased competition. At the same time, management expects higher food costs and overall expenses to increase. The Company has already raised its menu prices to offset higher food costs and overall expenses and will continue to do so wherever competitively possible.

Liquidity and Capital Resources

Cash Flows

The following table is a summary of the Company's cash flows for the twenty six weeks of fiscal years 2007 and 2006.

	Twenty Six Weeks Ended March 31, 2007	Twenty Six Weeks Ended April 1, 2006
	(In Thousands)	
Net cash provided by operating activities	$ 2,042	$ 1,355
Net cash used in investing activities	(1,248)	(1,109)
Net cash provided by (used in) financing activities	877	(542)
Net Increase (Decrease) in Cash and Cash Equivalents	1,671	(296)
Cash and Cash Equivalents, Beginning	1,698	2,674
Cash and Cash Equivalents, Ending	$ 3,369	$ 2,378

On January 13, 2006, the Company declared a cash dividend of 35 cents per share payable on February 15, 2006 to shareholders of record on January 31, 2006.

As a result of significant investments in capital expenditures and the expansion of locations in the prior and current fiscal years, the Board is evaluating the Company's ability to declare dividends in the current period.

Capital Expenditures

The Company had additions to property and equipment of $2,043,000 (of which $250,000 was financed), during the twenty six weeks ended March 31, 2007, including $802,500 for the purchase of real property and $204,000 for renovations to two (2) existing Company restaurants, as compared to $1,116,000 during the twenty six weeks ended April 1, 2006, which included $101,000 as a direct result of Hurricane Wilma. During the twenty six weeks ended April 1, 2006, the Company purchased one (1) vehicle, for a purchase price of $70,000, which vehicle was 100% financed.

All of the Company's units require periodic refurbishing in order to remain competitive. The budget for fiscal year 2007 is $800,000. The Company expects the funds for these improvements to be provided from operations. In addition, it is anticipated that the limited partnership owning the restaurant in Pembroke Pines, Florida will require approximately $2,000,000 in additional funds for capital expenditures to complete its renovations and prepare for opening as a "Flanigan's Seafood Bar and Grill" restaurant. Subsequent to the end of the second quarter of fiscal year 2007, this limited partnership completed its private offering, raising the sum of $2,350,000, which also reimbursed approximately $300,000 to the Company for advances made in excess of its investment, ($380,000), in the same. It is also anticipated that the limited partnership owning the restaurant in Davie, Florida will require approximately $2,100,000 in additional funds for capital expenditures to complete its renovations and prepare for opening as a "Flanigan's Seafood Bar and Grill" restaurant, which funds will be raised through a private offering. The funds raised through the private offering will also reimburse the Company for advances made in excess of its investment in this limited partnership. As of March 31, 2007, the Company had advanced approximately $758,000 to this limited partnership.

-24-

Long Term Debt

As of March 31, 2007, the Company had long term debt of $6,741,000, as compared to $2,242,000 as of April 1, 2006, and $5,181,000 as of September 30, 2006.

The Company's long term debt includes its line of credit, which had a principal balance of $1,962,000 as of March 31, 2007. Subsequent to the end of the second quarter of fiscal year 2007, the Company made a principal payment of $750,000, reducing the outstanding principal balance on the line of credit to $1,212,000.

As of March 31, 2007, the Company is in compliance with the affirmative covenants contained in its loan documents.

Subsequent to the end of the second quarter of fiscal year 2007, the Company closed on a $450,000 private mortgage which financed the Company's purchase of the real property which is located adjacent to the parking lot of the Company's combination restaurant and package liquor store located at 4 North Federal Highway, Hallandale, Florida, (Store #31). The mortgage bears interest at the rate of ten (10%) percent per annum, is amortized over thirty (30) years with equal monthly payments of principal and interest, each in the amount of $3,949.07, with the entire principal balance and all accrued interest due in ten (10) years.

Purchase of Company Common Stock

Pursuant to a discretionary plan approved by the Board of Directors, during the thirteen weeks ended March 31, 2007, the Company purchased 500 shares of its common stock for an aggregate purchase price of $5,200. During the twenty six weeks ending March 31, 2007, the Company purchased 832 shares of its common stock for an aggregate purchase price of $9,000.

Working Capital

The table below summarizes the current assets, current liabilities, and working capital for the fiscal quarters ended March 31, 2007, April 1, 2006, and the fiscal year ended September 30, 2006.

Item	March 31, 2007	April 1, 2006	Sept. 30, 2006
	(In Thousands)		
Current Assets	$7,620	$6,746	$6,315
Current Liabilities	6,091	5,152	4,919
Working Capital	1,529	1,594	1,396

Working capital for the fiscal quarter ending March 31, 2007 decreased by 4.08% from the working capital for the fiscal quarter ending April 1, 2006 and increased by 9.53% from the working capital for the fiscal year ending September 30, 2006. Working capital improved during the fiscal quarter ended March 31, 2007 primarily due to the minimal demand upon the Company's cash flow for extraordinary items during the fiscal quarter. At the end of the first quarter of fiscal year 2007, the Company took a draw against its line of credit,

($1,200,000), which draw included funds to advance to the limited partnership to close on the purchase of the existing restaurant in Davie, Florida ($650,000), which transaction closed at the start of the second quarter of fiscal year 2007. Working capital for the fiscal quarter ended April 1, 2006 was improved by an insurance recovery, net of casualty loss, of $405,000, as the Company received reimbursement from its insurance carrier of a part of its losses as a result of Hurricane Wilma.

Subsequent to the end of the second quarter of fiscal year 2007, the Company's working capital improved with the completion of its private offering by the limited partnership which owns the restaurant in Pembroke Pines, Florida, which private offering raised the sum of $2,350,000. The Company invested $380,000 in the limited partnership and was reimbursed approximately $300,000 in excess advances made to the same. In addition and also subsequent to the end of the second quarter of fiscal year 2007, the Company closed on the sale of the real property located at 732 - 734 N.E. 125th Street, North Miami, Florida (Store #27), realizing net sale proceeds in the approximate amount of $763,000 and further improving the Company's working capital.

Management believes that over the balance of fiscal year 2007, working capital will continue to improve as management does not anticipate the same demand upon the Company's cash flow as it experienced during fiscal year 2006 and the first quarter of fiscal year 2007. Notwithstanding, management also believes that working capital will be adversely affected by investments and/or further advances to be made by the Company to the limited partnership which owns the restaurant in Davie, Florida until such time as the limited partnership completes its private offering, currently planned for the fourth quarter of fiscal year 2007, and is reimbursed advances made by the Company in excess of its investment in the same.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not ordinarily hold market risk sensitive instruments for trading purposes and as of March 31, 2007 held no equity securities.

Interest Rate Risk

At March 31, 2007, the Company has one debt arrangement, its line of credit, which has a variable interest rate, which is at prime. Increases in interest rates may have a material affect upon results of operations, depending upon the outstanding principal balance on the line of credit from time to time.

At March 31, 2007, the Company's cash resources earn interest at variable rates. Accordingly, the Company's return on these funds is affected by fluctuations in interest rates. Any decrease in interest rates will have a negative effect on the Company's earnings.

There is no assurance that interest rates will increase or decrease over the next fiscal year.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, with the participation of management, evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934, as amended, ("Exchange Act") Rule 13a-15(e) or 15d-15(e)) as of March 31, 2007. Based upon that evaluation, it is the opinion of our Chief Executive

Officer and Chief Financial Officer that such disclosure controls and procedures operate such that important information flows to appropriate collection and disclosure points in a timely manner and are effective in ensuring that material information is accumulated and communicated to management and made known to the Chief Executive Officer and Chief Financial Officer particularly during the period in which this report was prepared, as appropriate, to allow timely decisions regarding timely disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any system of controls and procedures, no matter how well designed and operated, is subject to limitations, including the exercise of our judgment in evaluating the same. As a result, there can be no assurance that our disclosure controls and procedures will prevent all errors.

(b) Change in Internal Control Over Financial Reporting

During the second quarter of fiscal year 2007, the Company continued to assess the effectiveness of our "internal controls over financial reporting" on an account by account basis as a part of our on-going accounting and financial reporting review process. The results of management's assessment and review were reported to the Audit Committee of the Board of Directors.

During the second quarter of fiscal year 2007, management significantly expanded procedures to remediate one material weakness in our internal control over financial reporting which existed as of December 30, 2006, namely the accounting for officers' bonuses, specifically with respect to the posting of interim payments against officers' bonuses which directly relate to accruals of the same. The expanded procedures include the following:

- posting of interim payments of officers' bonuses against accruals of officers' bonuses directly from payroll;

- establish a separate accrued officers' bonus liability account in lieu of the general accrued payroll account;

- payment of officers' bonuses by written memorandum, thereby creating a paper trail for reconciliation purposes; and

o additional post-closing procedure for the reporting period, including a reconciliation of the accrued officers' bonus liability account, officers' bonus payroll expense account and interim or final payments of officers' bonuses.

With the exception of the changes to the accounting of officers' bonuses discussed above, we made no changes in our internal control over financial reporting during the second quarter ending March 31, 2007 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Notwithstanding, the effectiveness of our system of internal control over financial reporting is subject to limitations, including the exercise of our judgment in evaluating the same. As a result, there can be no assurance that our internal control over financial reporting will prevent all errors.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings: See "Litigation" on page 14 of this report and Item 1 and Item 3 to Part 1 of the Annual Report on Form 10-K for the fiscal year ended September 30, 2006 for a discussion of other legal proceedings resolved in prior years.

Item 2- Unregistered Sales of Equity Securities and Use of Proceeds: None

Item 3- Defaults Upon Senior Securities: None

Item 4- Submission of Matters to a Vote of Security Holders: None

Item 5- Other Information: None

Item 6- Exhibits and Reports on Form 8-K:

(a) Exhibits: Exhibits 31.1, 31.2, 32.1 and 32.2 (Certifications)
(b) Form 8-K: None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized. The information furnished reflects all adjustments to the statement of the results for the interim period.

FLANIGAN'S ENTERPRISES, INC.

/s/ James G. Flanigan

JAMES G. FLANIGAN,
Chief Executive Officer and
President

Date: May 15, 2007

/s/ Jeffrey D. Kastner

JEFFREY D. KASTNER
Chief Financial Officer and Secretary

Date: May 15, 2007