FLANIGANS ENTERPRISES INC
Form 10-K
December 28, 2011

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

FORM 10-K

S ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 1, 2011

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 Number)

5059 N.E. 18th Avenue, Fort Lauderdale, Florida 33334
(Address of principal executive offices) Zip Code

(954) 377-1961

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.10 Par Value	NYSE AMEX
Title of each class	Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No S

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £No S

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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 subject to such filing requirements for the past 90 days. Yes S No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes S No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer £ Accelerated filer £ Non-accelerated filer £ Smaller reporting company S

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes £ No S

The aggregate market value of the voting stock held by non-affiliates of the registrant was $6,437,000 as of April 2, 2011, the last business day of the registrant’s most recently completed second fiscal quarter. The closing price per share on April 1, 2011 was $8.00.

There were 1,861,047 shares of the Registrant's Common Stock, $0.10 par value, outstanding as of December 28, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Part III (Items 10, 11, 12, 13 and 14) is incorporated by reference to portions of the Registrant's Proxy Statement for the 2012 Annual Meeting of Shareholders which will be filed with the Securities and Exchange Commission by January 29, 2012.

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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SIGNATURES
CERTIFICATIONS

As used in this Annual Report on Form 10-K, the terms "we," "us," "our," the "Company" and "Flanigan's" mean Flanigan's Enterprises, Inc. and its subsidiaries (unless the context indicates a different meaning).

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PART I

Item 1. Business

When used in this report, the words "anticipate", "believe", "estimate", “will”, “intend” and “expect” and similar expressions identify forward-looking statements. Forward-looking statements in this report include, but are not limited to, those relating to the general expansion of our business. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this annual report on Form 10-K.

General

At October 1, 2011, we (i) operated 24 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of one restaurant and four combination restaurants/package liquor stores, (one of which we operate). The table below provides information concerning the type (i.e. restaurant, package liquor store or combination restaurant/package liquor store) and ownership of the units (i.e. whether (i) we own 100% of the unit; (ii) the unit is owned by a limited partnership of which we are the sole general partner and/or have invested in; or (iii) the unit is franchised by us), as of October 1, 2011 and as compared to October 2, 2010. With the exception of “The Whale’s Rib”, a restaurant we operate but do not own, all of the restaurants operate under our service mark “Flanigan’s Seafood Bar and Grill” and all of the package liquor stores operate under our service mark “Big Daddy’s Liquors”.

	FISCAL YEAR 2011	FISCAL YEAR 2010	NOTE NUMBER
TYPES OF UNITS			
Company Owned:			
Combination package liquor store and restaurant	4	4	
Restaurant only	5	4	(1)
Package liquor store only	5	5	

Company Managed Restaurants Only:			
Limited partnerships	8	9	
Franchise	1	1	
Unrelated Third Party	1	1	
Company Owned Club:	1	1	
TOTAL - Company Owned/Operated Units:	25	25	
FRANCHISED - units	5	5	(2)

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Notes:

(1) During the fourth quarter of our 2011 fiscal year end, we purchased from a limited partnership the operating assets of the restaurant located in Stuart, Florida and accordingly, on July 31, 2011, the restaurant converted from a limited partnership unit to a company owned restaurant.

(2) We operate a restaurant for one (1) franchisee. This unit is included in the table both as a franchised restaurant, as well as a restaurant operated by us.

History and Development of Our Business

We were incorporated in Florida in 1959 and commenced operating as a chain of small cocktail lounges and package liquor stores throughout South Florida. By 1970, we had established a chain of "Big Daddy's" lounges and package liquor stores between Vero Beach and Homestead, Florida. From 1970 to 1979, we expanded our package liquor store and lounge operations throughout Florida and opened clubs in five other "Sun Belt" states. In 1975, we discontinued most of our package store operations in Florida except in the South Florida areas of Miami-Dade, Broward, Palm Beach and Monroe Counties. In 1982 we expanded our club operations into the Philadelphia, Pennsylvania area as general partner of several limited partnerships we organized. In March 1985 we began franchising package liquor stores and lounges in the South Florida area. See Note 8 to the consolidated financial statements and the discussion of franchised units on page 8.

During our fiscal year 1987, we began renovating our lounges to provide full restaurant food service, and subsequently renovated and added food service to most of our lounges. Food sales currently represent approximately 80% and bar sales approximately 20% of our total restaurant sales.

Our package liquor stores emphasize high volume business by providing customers with a wide variety of brand name and private label merchandise at discount prices. Our restaurants offer alcoholic beverages and full food service with abundant portions and reasonable prices, served in a relaxed, friendly and casual atmosphere.

We conduct our operations directly and through a number of limited partnerships and wholly owned subsidiaries, all of which are listed below. Our subsidiaries and the limited partnerships, (except for the limited partnership, where we are not the general partner, which owns and operates our franchised restaurant in Fort Lauderdale, Florida) are reported on a consolidated basis.

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ENTITY	STATE OF ORGANIZATION	PERCENTAGE OWNED
Flanigan's Management Services, Inc.	Florida	100
Flanigan's Enterprises, Inc. of Georgia	Georgia	100
Flanigan's Enterprises, Inc. of Pa.	Pennsylvania	100
Flanigan's Enterprises of N. Miami, Inc.	Florida	100
CIC Investors #13, Limited Partnership	Florida	40
CIC Investors #50, Limited Partnership	Florida	18
CIC Investors #55, Limited Partnership	Florida	48
CIC Investors #60, Limited Partnership	Florida	45
CIC Investors #65, Limited Partnership	Florida	28
CIC Investors #70, Limited Partnership	Florida	41
CIC Investors #75, Limited Partnership	Florida	13
CIC Investors #80, Limited Partnership	Florida	27
CIC Investors #95, Limited Partnership	Florida	30
Josar Investments, LLC	Florida	100
Flanigan's Calusa Center, LLC (organized October 14,2011)	Florida	100

Package Liquor Store Operations

Our package liquor stores emphasize high volume business by providing customers with a wide selection of brand name and private label liquors, beer and wines while offering competitive pricing by meeting the published sales prices of our competitors. We provide sales training to our package liquor store personnel. The stores are open for business six or seven days a week from 9:00-10:00 a.m. to 9:00-10:00 p.m., depending upon demand and local law.

Approximately half of our units have "night windows" with extended evening hours.

Company Owned Package Liquor Stores. We own and operate nine package liquor stores in the South Florida area under the name “Big Daddy’s Liquors”, four of which are jointly operated with restaurants we own.

Franchised Package Liquor Stores. We franchise four package liquor stores in the South Florida area, all of which are operated under the name “Big Daddy’s Liquors” and are jointly operated with our franchisee’s restaurant operations. Three of the four franchised package liquor stores are franchised to members of the family of our Chairman of the Board, officers and/or directors. We have not entered into a franchise arrangement for either a package liquor store, restaurant or combination package liquor store/restaurant since 1986 and do not anticipate that we will do so in the foreseeable future.

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Generally, a franchise agreement with our franchisees for the operation of a package liquor store runs for the balance of the term of the franchisee's lease for the business premises, extended by the franchisee's continued occupancy of the business premises thereafter, whether by lease or ownership. In exchange for our providing management and related services to the franchisee and our granting the right to the franchisee to use our service mark, "Big Daddy's Liquors", franchisees of package liquor stores pay us weekly in arrears, (i) a royalty equal to approximately 1% of gross sales; plus (ii) an amount for advertising equal to between 1-1/2% to 3% of gross sales generated at the stores depending upon our actual advertising costs.

Restaurant Operations.

Our restaurants provide a neighborhood casual, standardized dining experience, typical of casual restaurant chains. The interior decor of the restaurants is nautical with numerous fishing and boating pictures and decorations. The restaurants are designed to permit minor modifications without significant capital expenditures. However, from time to time we are required to redesign and refurbish the restaurants at significant cost. Drink prices may vary between locations to meet local conditions. Food prices are substantially standardized for all restaurants. The restaurants' hours of operation are from 11:00 a.m. to 1:00-5:00 a.m. depending upon demand and local law.

Company Owned Restaurants. We own and operate nine restaurants all under our service mark "Flanigan's Seafood Bar and Grill" four of which are jointly operated with package liquor stores we own.

Franchised Restaurants. We franchise five restaurants, all of which operate under our service mark "Flanigan's Seafood Bar and Grill", one of which operates as a restaurant only and four of which operate jointly with a franchisee operated "Big Daddy's Liquors" package liquor store.

Generally, a franchise agreement with our franchisees for the operation of a restaurant runs for the balance of the term of the franchisee's lease for the business premises, extended by the franchisee's continued occupancy of the business premises thereafter, whether by lease or ownership. In exchange for our providing management and related services to the franchisee and our granting the right to the franchisee to use our service mark, "Flanigan's Seafood Bar and Grill", our franchisees pay us weekly in arrears, (i) a royalty equal to approximately 3% of gross sales; plus (ii) an amount for advertising equal to between 1-1/2% to 3% of gross sales from the restaurants.

For accounting purposes, we do not consolidate the revenue and expenses of our franchisees' operations with our revenue and expenses. Franchise royalties we receive are "earned" when sales are made by franchisees.

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Restaurants Owned by Affiliated Limited Partnerships

We have invested with others, (some of whom are or are affiliated with our officers and directors), in eight limited partnerships which currently own and operate eight South Florida based restaurants under our service mark “Flanigan’s Seafood Bar and Grill”. In addition to being a limited partner in these limited partnerships, we are the sole general partner of all of these limited partnerships and manage and control the operations of the restaurants, except for the restaurant located in Fort Lauderdale, Florida where we only hold a limited partnership interest.

Generally, the terms of the limited partnership agreements provide that until the investors’ cash investment in a limited partnership (including any cash invested by us) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant, as a return of capital, up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (½) to us as a management fee and one-half (1/2) to the investors, (including us), pro-rata based on the investors’ investment, as a return of capital. Once all of the investors, (including us), have received, in full, amounts equal to their cash invested, an annual management fee becomes payable to us equal to one-half (½) of cash available to be distributed, with the other one half (½) of available cash distributed to the investors (including us), as a profit distribution, pro-rata based on the investors’ investment. As of October 1, 2011, limited partnerships owning three (3) restaurants, (Surfside, Florida, Kendall, Florida and West Miami, Florida locations), have returned all cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. In addition to our receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of our “Flanigan’s Seafood Bar and Grill” service mark, which use is authorized while we act as general partner only. This 3% fee is “earned” when sales are made by the limited partnerships and is paid weekly, in arrears. Although we have no restaurants under development and whether we will have any under development in the future will be dependant, among other things, on market conditions and our ability to raise capital, we anticipate that we will continue to form limited partnerships to raise funds to own and operate restaurants under our service mark “Flanigan’s Seafood Bar and Grill” using the same or substantially similar financial arrangements.

Below is information on the eight limited partnerships which own and operate “Flanigan’s Seafood Bar and Grill” restaurants:

Surfside, Florida

We are the sole general partner and a 45% limited partner in this limited partnership which has owned and operated a restaurant in Surfside, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since March 6, 1998. 34.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an

annual management fee equal to one-half (½) of the cash available for distribution by this limited partnership.

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Kendall, Florida

We are the sole general partner and a 41% limited partner in this limited partnership which has owned and operated a restaurant in Kendall, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 4, 2000. 29.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by this limited partnership.

West Miami, Florida

We are the sole general partner and a 27% limited partner in this limited partnership which has owned and operated a restaurant in West Miami, Florida under our "Flanigan's Seafood Bar and Grill" service mark since October 11, 2001. 34.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by this limited partnership.

Weston, Florida

We are the sole general partner and a 30% limited partner in this limited partnership which has owned and operated a restaurant in Weston, Florida under our "Flanigan's Seafood Bar and Grill" service mark since January 20, 2003. 35.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 81.25% of their initial cash invested, increased from approximately 73.75% as of our fiscal year ended 2010.

Wellington, Florida

We are the sole general partner and a 28% limited partner in this limited partnership which has owned and operated a restaurant in Wellington, Florida under our "Flanigan's Seafood Bar and Grill" service mark since May 27, 2005. 25.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 52% of their initial cash invested, increased from approximately 47% as of the end of our fiscal year 2010.

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Pinecrest, Florida

We are the sole general partner and 40% limited partner in this limited partnership which has owned and operated a restaurant in Pinecrest, Florida under our "Flanigan's Seafood Bar and Grill" service mark since August 14, 2006. 15.0% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 65% of their initial cash invested, increased from approximately 50% as of our fiscal year ended 2010.

Pembroke Pines, Florida

We are the sole general partner and a 18% limited partner in this limited partnership which has owned and operated a restaurant in Pembroke Pines, Florida under our "Flanigan's Seafood Bar and Grill" service mark since October 29, 2007. 17.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 32.0% of their initial cash invested, increased from approximately 18.5% as of the end of our fiscal year 2010.

Davie, Florida

We are the sole general partner and a 48% limited partner in this limited partnership which has owned and operated a restaurant in Davie, Florida under our "Flanigan's Seafood Bar and Grill" service mark since July 28, 2008. 9.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 19.5% of their initial cash invested, increased from approximately 13.5% as of the end of our fiscal year 2010.

Fort Lauderdale, Florida

A corporation, owned by one of our directors, acts as sole general partner of a limited partnership which has owned and operated a restaurant in Fort Lauderdale, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 1, 1997. We have a 25% limited partnership interest in this limited partnership. 60.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all cash invested, but since we are not the general partner of this limited partnership, we do not receive an annual management fee. We have a franchise arrangement with this limited

partnership and for accounting purposes, we do not consolidate the operations of this limited partnership into our operations.

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Management Agreement for "The Whale's Rib" Restaurant

Since January, 2006, we have managed "The Whale's Rib", a casual dining restaurant located in Deerfield Beach, Florida, pursuant to a management agreement. We paid $500,000 in exchange for our rights to manage this restaurant. The restaurant is owned by a third party unaffiliated with us. In exchange for providing management, bookkeeping and related services, we receive one-half (½) of the net profit, if any, from the operation of the restaurant. During the third quarter of our fiscal year 2011, the term of the management agreement was extended through January 9, 2036. As a part of the consideration for the extension of the management agreement, we agreed to eliminate our right to terminate the management agreement upon thirty (30) days written notice, with or without cause, but retained the right to terminate in the event our outstanding funded operating losses exceeded $100,000 cumulatively, at any time during the term of the management agreement. For our fiscal years ended October 1, 2011 and October 2, 2010, we generated $250,000 and $263,000 of revenue, respectively, from providing these management services. As of October 1, 2011, we have generated revenue in excess of the purchase price of the management agreement.

Adult Entertainment Club

We own, but do not operate, an adult entertainment nightclub located in Atlanta, Georgia which operates under the name "Mardi Gras". We have a management agreement with an unaffiliated third party to manage the club. Under our management agreement, the unaffiliated third party management firm is obligated to pay us an annual amount, paid monthly, equal to the greater of $150,000 or ten (10%) percent of gross sales from the club, offset by one-half (1/2) of any rental increases, provided our fees will never be less than $150,000 per year. For our fiscal years ended October 1, 2011 and October 2, 2010, we generated $161,000 and $165,000 of revenue, respectively, from the operation of the club.

Operations and Management

We emphasize systematic operations and control of all package liquor stores and restaurants regardless of whether we own, franchise or manage the unit. Each unit has its own manager who is responsible for monitoring inventory levels, supervising sales personnel, food preparation and service in restaurants and generally assuring that the unit is managed in accordance with our guidelines and procedures. We have in effect an incentive cash bonus program for our managers and salespersons based upon various performance criteria. Our operations are supervised by area supervisors. Each area supervisor supervises the operations of the units within his or her territory and visits those units

to provide on-site management and support. There are five area supervisors responsible for package liquor store, restaurant and club operations in specific geographic districts.

All of our managers and salespersons receive extensive training in sales techniques. We arrange for independent third parties, or "shoppers", to inspect each unit in order to evaluate the unit's operations, including the handling of cash transactions.

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Purchasing and Inventory

The package liquor business requires a constant substantial capital investment in inventory in the units. Our inventory consists primarily of liquor and wine products and as such, does not become excessive or obsolete that would require identifying and recording of the same. Liquor inventory purchased can normally be returned only if defective or broken.

All of our purchases of liquor inventory are made through our purchasing department from our corporate headquarters. The major portion of inventory is purchased under individual purchase orders with licensed wholesalers and distributors who deliver the merchandise within one or two days of the placing of an order. Frequently there is only one wholesaler in the immediate marketing area with an exclusive distributorship of certain liquor product lines. Substantially all of our liquor inventory is shipped by the wholesalers or distributors directly to our stores. We significantly increase our inventory prior to Christmas, New Year's Eve and other holidays. Under Florida law, we are required to pay for our liquor purchases within ten days of delivery.

Negotiations with food suppliers are conducted by our purchasing department at our corporate headquarters. We believe this ensures that the best quality and prices will be available to each restaurant. Orders for food products are prepared by each restaurant's kitchen manager and reviewed by the restaurant's general manager before orders are placed. Food is delivered by the supplier directly to each restaurant. Orders are placed several times a week to ensure product freshness. Food inventory is primarily paid for monthly.

Government Regulation

Our operations are subject to various federal, state and local laws affecting our business. In particular, our operations are subject to regulation by federal agencies and to licensing and regulation by state and local health, sanitation, alcoholic beverage control, safety and fire department agencies in the state or municipality where our units are located.

Alcoholic beverage control regulations require each of our restaurants and package liquor stores to obtain a license to sell alcoholic beverages from a state authority and in certain locations, county and municipal authorities.

In Florida, where all of our restaurants and package liquor stores are located, most of our liquor licenses are issued on a "quota license" basis. Quota licenses are issued on the basis of a population count established from time to time under the latest applicable census. Because the total number of liquor licenses available under a quota license system is limited and restrictions are placed upon their transfer, the licenses have purchase and resale value based upon supply and demand in the particular areas in which they are issued. The quota licenses held by us allow the sale of liquor for on and off premises consumption. In Florida, the other liquor licenses held by us or limited partnerships of which we are the general partner are restaurant liquor licenses, which do not have quota restrictions and no purchase or resale value. A restaurant liquor license is issued to every applicant who meets all of the state and local licensing requirements, including, but not limited to zoning and minimum restaurant size, seating and menu. The restaurant liquor licenses held by us allow the sale of liquor for on premises consumption only.

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In the State of Georgia, where our adult entertainment club is located, licensed establishments also do not have quota restrictions for on-premises consumption and such licenses are issued to any applicant who meets all of the state and local licensing requirements based upon extensive license application filings and investigations of the applicant.

All licenses must be renewed annually and may be revoked or suspended for cause at any time. Suspension or revocation may result from violation by the licensee or its employees of any federal, state or local law regulation pertaining to alcoholic beverage control. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of our units, including, minimum age of patrons and employees, hours of operations, advertising, wholesale purchasing, inventory control, handling, storage and dispensing of alcoholic beverages, internal control and accounting and collection of state alcoholic beverage taxes.

As the sale of alcoholic beverages constitutes a large share of our revenue, the failure to receive or retain, or a delay in obtaining a liquor license in a particular location could adversely affect our operations in that location and could impair our ability to obtain licenses elsewhere.

During our fiscal years 2011 and 2010, no significant pending matters have been initiated concerning any of our licenses which might be expected to result in a revocation of a liquor license or other significant actions against us.

We are subject to “dram-shop” statutes due to our restaurant operations and club ownership. These statutes generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated individual. We carry liquor liability coverage as part of our existing comprehensive general liability insurance, which we believe is consistent with coverage carried by other entities in the restaurant industry. Although we are covered by insurance, a judgment against us under a dram-shop statute in excess of our liability coverage could have a material adverse effect on us.

Our operations are also subject to federal and state laws governing such matters as wages, working conditions, citizenship requirements and overtime. Significant numbers of hourly personnel at our restaurants are paid at rates related to the federal or Florida minimum wage, whichever is higher, and accordingly, increases in the minimum wage will increase labor costs. We are also subject to the Americans With Disability Act of 1990 (ADA), which, among other things, may require certain renovations to our restaurants to meet federally mandated requirements. The cost of any such renovations is not expected to materially affect us.

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We are not aware of any statute, ordinance, rule or regulation under present consideration which would significantly limit or restrict our business as now conducted. However, in view of the number of jurisdictions in which we conduct business, and the highly regulated nature of the liquor business, there can be no assurance that additional limitations may not be imposed in the future, even though none are presently anticipated.

General Liability Insurance

We have general liability insurance which incorporates a semi-self-insured plan under which we assume the full risk of the first $50,000 of exposure per occurrence, while the limited partnerships assume the full risk of the first $10,000 of exposure per occurrence. Our insurance carrier is responsible for $1,000,000 coverage per occurrence above our self-insured deductible, up to a maximum aggregate of $2,000,000 per year. During our fiscal year 2011 and again in fiscal year 2012 we were able to purchase excess liability insurance at a reasonable premium, whereby our excess insurance carrier is responsible for $6,000,000 coverage above our primary general liability insurance coverage. With the exception of one (1) limited partnership which has higher general liability insurance coverage to comply with the terms of its lease for the business premises, we are un-insured against liability claims in excess of $7,000,000 per occurrence and in the aggregate.

Our general policy is to settle only those legitimate and reasonable claims asserted and to aggressively defend and go to trial, if necessary, on frivolous and unreasonable claims. We have established a group of defense attorneys which we use in conjunction with this program. Under our current liability insurance policy, any expense incurred by us in defending a claim, including adjusters and attorney's fees, are a part of our $50,000 or $10,000, as applicable, self-insured retentions.

In accordance with accounting guidance, we accrue for any self-insured liability by recognizing costs when it is probable that a covered liability has been incurred and the cost can be reasonably estimated. Accordingly, our annual self-insurance costs may be subject to adjustment from previous estimates as facts and circumstances change. Our self-insured accruals are included in the accompanying consolidated balance sheets in the caption "Accounts payable and accrued expenses". A significant unfavorable judgment or settlement against us in excess of our liability insurance coverage could have a materially adverse effect on the Company.

Property Insurance; Windstorm Insurance; Deductibles

For the policy year commencing December 30, 2011, our property insurance will be the second year of our three (3) year property insurance policy with our insurance carrier, including coverage for properties leased by us and our consolidated limited partnerships, and will provide for full insurance coverage for property losses, including those caused by windstorm, such as a hurricane. For property losses caused by windstorm, the property insurance will have fixed deductibles per location, per occurrence. For all other property losses, the property insurance will have deductibles of $10,000 per location, per occurrence. Our insurance expense for the policy year commencing December 30, 2011, including insurance coverage for our consolidated limited partnerships, will be approximately equal to our insurance expense for the policy year which commenced December 30, 2010, ($294,000), as our three (3) year property insurance policy does not provide for premium rate increases during the term of the same.

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Competition and the Company's Market

The liquor and hospitality industries are highly competitive and are often affected by changes in taste and entertainment trends among the public, by local, national and economic conditions affecting spending habits, and by population and traffic patterns. We believe that the principal means of competition among package liquor stores is price and that, in general, the principal means of competition among restaurants include the location, type and quality of facilities and the type, quality and price of beverage and food served.

Our package liquor stores compete directly or indirectly with local retailers and discount "superstores". Due to the competitive nature of the liquor industry in South Florida, we have had to adjust our pricing to stay competitive, including meeting all competitors' advertisements. Such practices will continue in the package liquor business. We believe that we have a competitive position in our market because of widespread consumer recognition of the "Big Daddy's Liquors" name.

Our restaurants compete directly or indirectly with many well-established competitors, both nationally and locally owned. Due to the competitive nature of the hospitality industry, we have limited our menu price increases, but during the fourth quarter of our fiscal year 2011, higher food costs and higher overall expenses left us with no alternative but to raise our menu prices, which represents our first menu price increases since December, 2007. We continue to offer our customers our customary quality and quantity of beverage and food served, all at a reasonable price. We believe that we have a competitive position in our market because of widespread consumer recognition of the "Flanigan's Seafood Bar and Grill" name.

We have many well-established competitors, both nationally and locally owned, with substantially greater financial resources and a longer history of operations than we do. Their resources and market presence may provide advantages in marketing, purchasing and negotiating leases. We compete with other restaurant and retail establishments for sites and finding management personnel.

Our business is subject to seasonal effects, including that liquor purchases tend to increase during the holiday seasons.

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Trade Names

We operate our package liquor stores and restaurants under two service marks; "Big Daddy's Liquors" and "Flanigan's Seafood Bar and Grill", both of which are federally registered trademarks owned by us. Our right to the use of the "Big Daddy's" service mark is set forth under a consent decree of a Federal Court entered into by us in settlement of federal trademark litigation. The consent decree and the settlement agreement allow us to continue to use and to expand our use of the "Big Daddy's" service mark in connection with our package liquor sales in Florida, while restricting future liquor sales in Florida under the "Big Daddy's" name by the other party who has a federally registered service mark for "Big Daddy's" use in the restaurant business. The Federal Court retained jurisdiction to enforce the consent decree. We have acquired registered Federal trademarks on the principal register for our "Flanigan's" and “Flanigan’s Seafood Bar and Grill” service marks.

The standard symbolic trademark associated with our facilities and operations is the bearded face and head of "Big Daddy" which is predominantly displayed at all "Flanigan's" facilities and all "Big Daddy's" facilities throughout the country. The face comprising this trademark is that of the Company’s founder, Joseph "Big Daddy" Flanigan, and is a federally registered trademark owned by us.

Employees

As of our fiscal year end 2011, we employed 1,082 persons, of which 792 were full-time and 290 were part-time. Of these, 33 were employed at our corporate offices in administrative capacities and 8 were employed in maintenance. Of the remaining employees, 49 were employed in package liquor stores and 992 in restaurants.

None of our employees are represented by collective bargaining organizations. We consider our labor relations to be favorable.

Name	Positions and Offices Currently Held	Age	Office or Position Held Since
James G. Flanigan	Chairman of the Board	47	(1)

	of Directors, Chief Executive Officer and President		
August Bucci	Chief Operating Officer and Executive Vice President	67	2002
Jeffrey D. Kastner	Chief Financial Officer General Counsel and Secretary	58	(2)
Jean Picard	Vice President of Package Liquor Store Operations	73	2002

(1) Chairman of the Board of Directors, Chief Executive Officer since 2005; President since 2002.

(2) Chief Financial Officer since 2004; Secretary since 1995; and General Counsel since 1982.

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Flanigan's 401(k) Plan

Effective July 1, 2004, we began sponsoring a 401(k) retirement plan covering substantially all employees who meet certain eligibility requirements. Employees may contribute elective deferrals to the plan up to amounts allowed under the Internal Revenue Code. We are not required to contribute to the plan but may make discretionary profit sharing and/or matching contributions. During our fiscal years ended October 1, 2011 and October 2, 2010, the Board of Directors approved discretionary matching contributions totaling $24,000 and $21,000, respectively.

Environmental Matters

We are not aware of any federal, state or local environmental laws or regulations that will materially affect our earnings or competitive position or result in material capital expenditures. However, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

Item 1A Risk Factors

An investment in our common stock involves a high degree of risk. These risks should be considered carefully with the uncertainties described below, and all other information included in this Annual Report on Form 10-K, before deciding whether to purchase our common stock. Additional risks and uncertainties not currently known to management or that management currently deems immaterial may also become important factors that may harm our business, financial condition or results or operations. The occurrence of any of the following risks could harm our business, financial condition and results of operations. The trading price of our common stock could decline due to any of these risks and uncertainties and you may lose part or all of your investment.

Certain statements in this report contain forward-looking information. In general, forward-looking statements include estimates of future revenues, cash flow, capital expenditures, or other financial items and assumptions underlying any of the foregoing. Forward-looking statements reflect management's current expectations regarding future events and use words such as "anticipate", "believe", "expect", "may", "will" and other similar terminology. These statements speak only of the date they were made and involve a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Several factors, many beyond our control, could cause actual results to differ materially from management's expectations.

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General Economic Factors May Adversely Affect Results Of Operations

The disruption experienced in the United States and global credit markets during the second half of calendar year 2008 and which continued into calendar year 2009 has adversely affected domestic and global credit markets. During our fiscal year ended October 1, 2011, we received private financing to purchase the real property and improvements of one (1) location upon which we operate a combination package liquor store and restaurant. While the impact of the current crisis made it more difficult to obtain financing, we were able to procure financing but at a higher cost and upon less favorable terms than in the past. From an operating standpoint, our business is dependent to a significant extent on regional and local economic conditions, particularly those that affect our customers. In particular, where our customers' disposable income available for discretionary spending is reduced (such as by job losses, credit constraints and higher housing, taxes, energy, interest or other costs) or where the perceived wealth of our customers has decreased (because of circumstances such as lower residential real estate values, increased tax rates or other economic disruptions), our business could experience lower sales and customer traffic as potential customers choose lower cost alternatives or choose alternatives to dining out. These factors could reduce our sales and profitability. The current financial crisis has resulted in the need for additional advertising and promotions to maintain our customer traffic.

Intense Competition In The Restaurant And Package Liquor Store Industry Could Prevent Us From Increasing Or Sustaining Our Revenues And Profitability.

The restaurant and package liquor store industry is intensely competitive with respect to food quality, price-value relationships, ambiance, service and location and many restaurants and package liquor stores compete with us at each of our locations. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants and/or stores where we intend to locate restaurants. Additionally, other companies may develop restaurants and/or stores that operate with similar concepts.

Any inability to successfully compete with the other restaurants and/or stores in our markets will prevent us from increasing or sustaining our revenues and profitability and will result in a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify or refine elements of our business to evolve our concepts in order to compete with popular new restaurant formats or store concepts that may develop in the future. There can be no assurance that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

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New Information Or Attitudes Regarding Diet And Health Could Result In Changes In Regulations And Consumer Eating Habits That Could Adversely Affect Our Revenues.

Regulations and consumer eating habits may change as a result of new information or attitudes regarding diet and health. These changes may include regulations that impact the ingredients and nutritional content of our menu items at our restaurants. For example, a number of states, counties and cities are enacting menu labeling laws requiring multi-unit restaurant operators to make certain nutritional information available to guests or restrict the sales of certain types of ingredients in restaurants. The success of our restaurant operations is dependent, in part, upon our ability to effectively respond to changes in consumer health and disclosure regulations and to adapt our menu offerings to trends in eating habits. If consumer health regulations or consumer eating habits change significantly, we may be required to modify or delete certain menu items. To the extent we are unable to respond with appropriate changes to our menu offerings, it could materially affect customer demand and have an adverse impact on our revenues.

Adverse Public Or Medical Opinions About Health Effects Of Consuming Our Products As Well As Negative Publicity About Us, Our Restaurants And/Or Package Liquor Stores And About Others Across The Food And Liquor Industry Supply Chain, Whether Or Not Accurate, Could Negatively Affect Us.

Restaurant operators have received more scrutiny from regulators and health organizations in recent years relating to the health effects of consuming certain products. An unfavorable report on the products we use in our menu, the size of our portions or the consumption of those items could influence the demand for our offerings. In addition, adverse publicity or news reports, whether or not accurate, of food quality issues, illness, injury, health concerns, or operating issues stemming from a single restaurant, a limited number of restaurants, restaurants operated by others or generally in the food supply chain could be damaging to the restaurant industry overall and specifically harm our reputation. A decrease in guest traffic as a result of these types of health concerns or negative publicity could materially harm our results of operations.

Our Inability To Successfully And Sufficiently Raise Menu Prices Could Result In A Decline In Profitability.

We utilize menu price increases to help offset cost increases, including increased cost for commodities, minimum wages, employee benefits, insurance arrangements, construction, utilities and other key operating costs. If our selection and amount of menu price increases are not accepted by consumers and reduce guest traffic, or are insufficient to counter increased costs, our financial results could be negatively affected. However, we have not experienced any adverse affects from our recent menu price increases.

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Fluctuations In Commodity Prices And Availability Of Commodities Including Pork, Beef, Fish, Poultry And Dairy Could Affect Our Business

A significant component of our costs are related to food commodities including pork, beef, fish, poultry and dairy products. If there is a substantial increase in prices for these products and we are unable to offset the increases with changes in menu prices, our results could be negatively affected.

Our Business Could Be Materially Adversely Affected If We Are Unable To Expand In A Timely And Profitable Manner

To grow successfully, we must open new restaurants on a timely and profitable basis. We have experienced delays in restaurant openings from time to time and may experience delays in the future. During our fiscal years 2011 and 2010, we did not open any new restaurants, nor do we have any new restaurants under development.

Our ability to open and profitably operate restaurants and/or package liquor stores is subject to various risks such as identification and availability of suitable and economically viable locations, the negotiation of acceptable leases or the purchase terms of existing locations, the availability of limited partner investors or other means to raise capital, the need to obtain all required governmental permits (including zoning approvals) on a timely basis, the need to comply with other regulatory requirements, the availability of necessary contractors and subcontractors, the availability of construction materials and labor, the ability to meet construction schedules and budgets, variations in labor and building material costs, changes in weather or other acts of God that could result in construction delays and adversely affect the results of one or more restaurants and/or package liquor stores for an indeterminate amount of time. If we are unable to successfully manage these risks, we will face increased costs and lower than anticipated revenues which will materially adversely affect our business, financial condition, operating results and cash flow.

Changes In Customer Preferences For Casual Dining Styles Could Adversely Affect Financial Performance

Changing customer preferences, tastes and dietary habits can adversely impact our business and financial performance. We offer a large variety of entrees, side dishes and desserts and our continued success depends, in part, on the popularity of our cuisine and casual style of dining. A change from this dining style may have an adverse effect

on our business.

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Labor Shortages, An Increase In Labor Costs, Or Inability To Attract Employees Could Harm Our Business

Our employees are essential to our operations and our ability to deliver an enjoyable dining experience to our customers. If we are unable to attract and retain enough qualified restaurant and/or package liquor store personnel at a reasonable cost, and if they do not deliver an enjoyable dining experience, our results may be negatively affected. Additionally, competition for qualified employees could require us to pay higher wages, which could result in higher labor costs.

Increases In Employee Minimum Wages By The Federal Or State Government Could Adversely Affect Business

Certain of our Company employees are paid wages that relate to federal and state minimum wage rates. Increases in the minimum wage rates, such as annual cost of living increases in the State of Florida minimum wage, may significantly increase our labor costs. In addition, since our business is labor-intensive, shortages in the labor pool or other inflationary pressure could increase labor costs, which could harm our financial performance.

Due To Our Geographic Locations, Restaurants Are Subject To Climate Conditions That Could Affect Operations

All but one (1) of our restaurants and package liquor stores are located in South Florida, with the remaining restaurant located in Central Florida. During hurricane season, (June 1st through November 30th each year), our restaurants and/or package liquor stores may face harsh weather associated with hurricanes and tropical storms. These harsh weather conditions may make it more difficult for customers to visit our restaurants and package liquor stores, or may necessitate the closure of the stores and restaurants for a period of time. If customers are unable to visit our restaurants and/or package liquor stores, our sales and operating results may be negatively affected.

Due To Our Geographic Locations, We May Not Be Able To Acquire Windstorm Insurance Coverage Or Adequate Windstorm Insurance Coverage At A Reasonable Rate

Due to the anticipated active hurricane seasons in South Florida in the future, we may not be able to acquire windstorm insurance coverage for our restaurant and package liquor store locations on a year-to-year basis or may not be able to get adequate windstorm insurance coverage at reasonable rates. If we are unable to obtain windstorm insurance coverage or adequate windstorm insurance coverage at reasonable rates, then we will be self-insured for all or a part of the exposure for damages caused by a hurricane impacting South Florida, which may have a material adverse effect upon our financial condition and/or results of operations.

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Inability To Attract And Retain Customers Could Affect Results Of Operations

We take pride in our ability to attract and retain customers, however, if we do not deliver an enjoyable dining experience for our customers, they may not return and results may be negatively affected.

Failure To Comply With Governmental Regulations Could Harm Our Business And Our Reputation.

We are subject to regulation by federal agencies and regulation by state and local health, sanitation, building, zoning, safety, fire and other departments relating to the development and operation of restaurants. These regulations include matters relating to:

- the environment;
- building construction;
- zoning requirements;
- the preparation and sale of food and alcoholic beverages; and
- employment.

Our facilities are licensed and subject to regulation under state and local fire, health and safety codes. The construction and remodeling of restaurants will be subject to compliance with applicable zoning, land use and environmental regulations. We may not be able to obtain necessary licenses or other approvals on a cost-effective and timely basis in order to construct and develop restaurants in the future.

Various federal and state labor laws govern our operations and our relationship with our employees, minimum wage, overtime, working conditions, fringe benefit and work authorization requirements. In particular, we are subject to federal immigration regulations. Given the location of many of our restaurants, even if we operate those restaurants in strict compliance with federal immigration requirements, our employees may not all meet federal work authorization or residency requirements, which could lead to disruptions in our work force.

Our business can be adversely affected by negative publicity resulting from, among other things, complaints or litigation alleging poor food quality, food-borne illness or other health concerns or operating issues stemming from one or a limited number of restaurants. Unfavorable publicity could negatively impact public perception of our brands.

We are required to comply with the alcohol licensing requirements of the federal government, states and municipalities where our restaurants are located. Alcoholic beverage control regulations require applications to state authorities and, in certain locations, county and municipal authorities for a license and permit to sell alcoholic beverages. Typically, licenses must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of the daily operations of the restaurants, including minimum age of guests and employees, hours of operation, advertising, wholesale purchasing, inventory control and handling and storage and dispensing of alcoholic beverages. If we fail to comply with federal, state or local regulations, our licenses may be revoked and we may be forced to terminate the sale of alcoholic beverages at one or more of our restaurants.

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The Federal Americans with Disabilities Act (the "ADA") prohibits discrimination on the basis of disability in public accommodations and employment. We are required to comply with the ADA and regulations relating to accommodating the needs of disabled persons in connection with the construction of new facilities and with significant renovations of existing facilities.

Failure to comply with these and other regulations could negatively impact our reputation and could have an adverse effect on our business, financial condition, results of operations or cash flows.

We May Face Liability Under Dram Shop Statutes

Our sale of alcoholic beverages subjects us to "dram shop" statutes. These statutes allow an injured person to recover damages from an establishment that served alcoholic beverages to an intoxicated person. If we receive a judgment substantially in excess of our insurance coverage, or if we fail to maintain our insurance coverage, our business, financial condition, operating results or cash flows could be materially and adversely affected. We currently have no "dram shop" claims. See "Item 1. Business—Government Regulation" for a discussion of the regulations with which we must comply.

We May Face Instances Of Food Borne Illness

In years past, several nationally known restaurants experienced outbreaks of food poisoning believed to be caused by E.coli contained in fresh spinach, which is not included in any of the items on our menu, Asian and European countries experienced outbreaks of avian flu and incidents of "mad cow" disease have occurred in Canadian and U.S. cattle herds. These problems, other food-borne illnesses (such as, hepatitis A, trichinosis or salmonella) and injuries caused by food tampering have in the past, and could in the future, adversely affect the price and availability of affected ingredients and cause changes in consumer preference. As a result, our sales could decline.

Instances of food-borne illnesses, real or perceived, whether at our restaurants or those of our competitors, could also result in negative publicity about us or the restaurant industry, which could adversely affect sales. If we react to negative publicity by changing our menu or other key aspects of the dining experience we offer, we may lose customers who do not accept those changes, and may not be able to attract enough new customers to produce the revenue needed to make our restaurants profitable. If our guests become ill from food-borne illnesses, we could be forced to temporarily close some restaurants. A decrease in guest traffic as a result of health concerns or negative publicity, or as a result of a change in our menu or dining experience or a temporary closure of any of our restaurants, could materially harm our business.

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If We Are Unable To Protect Our Customers' Credit Card Data, We Could Be Exposed To Data Loss, Litigation, And Liability, And Our Reputation Could Be Significantly Harmed.

In connection with credit card sales, we transmit confidential credit card information by way of secure private retail networks. Although we use private networks, third parties may have the technology or know-how to breach the security of the customer information transmitted in connection with credit card sales, and our security measures and those of our technology vendors may not effectively prohibit others from obtaining improper access to this information. If a person is able to circumvent these security measures, he or she could destroy or steal valuable information or disrupt our operations. Any security breach could expose us to risks of data loss, litigation, and liability, and could seriously disrupt our operations and any resulting negative publicity could significantly harm our reputation.

Item 1B. Unresolved Staff Comments

As a Smaller Reporting Company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 1B.

Item 2. Properties

Our operations are conducted primarily on leased property with the exception of (i) a 10,000 square foot stand-alone building located in Fort Lauderdale, Florida that we purchased in December, 1999, which since April, 2001 has housed our corporate headquarters; (ii) a 4,600 square foot stand-alone building located in Hallandale, Florida that we purchased in July, 2006 and which since September, 1968 has housed our Hallandale, Florida Company-owned combination restaurant and package liquor store (Store #31); (iii) a 4,120 square foot stand-alone building in Hollywood, Florida we constructed in November, 2003, upon real property we acquired in September, 2001 pursuant to a 25 year ground lease interest, (a portion of this building is leased to an unaffiliated third party), and which since November, 2003 has housed our Hollywood, Florida Company-owned package liquor store (Store #4); (iv) a 4,500 square foot stand-alone building located in Hollywood, Florida that we purchased in October, 2009 and which since March, 1972 has housed our Hollywood, Florida Company-owned combination restaurant and package liquor store (Store #19); (v) a 4,600 square foot stand-alone building located in Fort Lauderdale, Florida that we purchased in August, 2010 and which since December, 1968 has housed our Fort Lauderdale, Florida Company-owned restaurant (Store #22); (vi) a 5,100 square foot stand-alone building in North Miami, Florida that we purchased in November, 2010 and which since July, 1968 has housed our North Miami, Florida Company-owned combination restaurant and package store (Store #20); and (vii) a 23,678 square foot two building shopping center in Miami, Florida that we

purchased in November, 2011, subsequent to the end of our fiscal year 2011, one building, approximately 18,828 square feet, is leased to twelve unaffiliated third parties and a second stand-alone building, approximately 4,850 square feet, which since April, 2000 has housed our Kendall, Florida based restaurant, which is owned by our affiliated limited partnership (Store #70).

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All of our units require periodic refurbishing in order to remain competitive. We have budgeted $600,000 for our refurbishing program for fiscal year 2012. See Item 7, "Liquidity and Capital Resources" for discussion of the amounts spent in fiscal year 2011.

The following table summarizes information related to the properties upon which our operations are conducted:

Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Big Daddy's Liquors #4 Flanigan's Enterprises Inc. (6) 7003 Taft Street Hollywood, FL	1,978	N/A	Company	3/1/02 to 2/28/27 and Options to 2/28/47
Big Daddy's Liquors #7 Flanigan's Enterprises, Inc. 1550 W. 84th Street Hialeah, FL	1,450	N/A	Company	11/1/00 to 10/31/12 and Annual Options to 10/31/15
Big Daddy's Liquors #8 Flanigan's Enterprises, Inc 959 State Road 84 Fort Lauderdale, FL	1,942	N/A	Company	5/1/99 to 4/30/14
Flanigan’s Seafood Bar and Grill #9 Flanigan’s Enterprises,	4,300	130	Company	1/1/10 to 12/31/14 Options to 12/31/24

Inc.				
1550 W. 84th Street				
Hialeah, FL				
Flanigan's Legends				
Seafood Bar and Grill #11				
11 Corporation (1)	5,000	150	Franchise	1/4/00 to 1/3/20 Option to 1/3/25
330 Southern Blvd.				
W. Palm Beach, FL				
Flanigan's Seafood				
Bar and Grill #12				11/15/92 to
Flanigan’s Enterprises, Inc.	5,000	180	Company	11/15/13
2405 Tenth Ave. North				Option to 11/15/16
Lake Worth, FL				

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Flanigan's Seafood Bar and Grill #14 Big Daddy's #14, Inc. (1)(2)(5) 2041 NE Second St. Deerfield Beach, FL	3,320	90	Franchise	6/1/79 to 6/1/14 Option to 6/1/19
Flanigan's Seafood Bar and Grill #15 CIC Investors #15 Ltd.(1) 1479 E. Commercial Blvd. Ft. Lauderdale, FL	4,000	90	Franchise/ Limited Partner	1/1/09 to 8/31/16 Options to 12/31/24
Flanigan's Seafood Bar and Grill #18 Twenty Seven Birds Corp. (1)(2) 2721 Bird Avenue Miami, FL	4,300	100	Franchise	2/15/72 to 12/31/15 Option to 12/31/20
Flanigan's Seafood Bar and Grill #19 Flanigan's Enterprises, Inc. (9) 2505 N. University Dr. Hollywood, FL	4,500	160	Company	Company-Owned

Flanigan's Seafood Bar and Grill #20 Flanigan's Enterprises Inc. (11) 13205 Biscayne Blvd. North Miami, FL	5,100	140	Company	Company-Owned Parking Lease 5/1/69 to 12/31/12 Annual options until the Company fails to exercise
Flanigan's Seafood Bar and Grill #22 Flanigan's Enterprises, Inc. (10) 2600 W. Davie Blvd. Ft. Lauderdale, FL	4,100	200	Company	Company-Owned
Flanigan's Seafood Bar and Grill #31 Flanigan's Enterprises, Inc. 4 N. Federal Highway Hallandale, FL	4,600	150	Company	Company Owned
Flanigan's Seafood Bar and Grill #33 (8) Flanigan’s Enterprises, Inc. 45 S. Federal Highway Boca Raton, FL	4,620	130	Company	10/1/10 to 5/31/20

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Big Daddy's Liquors #34 Flanigan's Enterprises, Inc. 9494 Harding Ave. Surfside, FL	3,000	N/A	Company	5/29/97 to 5/28/12 Option to 5/28/17
Flanigan's Seafood Bar and Grill #40, Flanigan's Enterprises, Inc. 5450 N. State Road 7 N. Lauderdale, FL	4,600	140	Company	4/1/71 to 12/31/15
Piranha Pat's #43 BD 43 Corporation (1)(2) 2500 E. Atlantic Blvd. Pompano Beach, FL	4,500	90	Franchise	12/1/72 to 11/30/12 Option to 11/30/22
Big Daddy's Liquors #47 Flanigan's Enterprises, Inc. (3) 8600 Biscayne Blvd. Miami, FL	6,000	N/A	Company	12/21/68 to 1/1/20 Options to 1/1/50
Flanigan’s Seafood Bar and Grill #13, CIC Investors #13, Ltd. 11415 S. Dixie Highway	8,000	200	Limited Partnership	06/01/91 to 5/31/16 Option to 5/31/21

Pinecrest, FL				
Flanigan’s Seafood Bar and Grill #50, CIC investors #50, Ltd. 17185 Pines Boulevard Pembroke Pines, FL	4,000	200	Limited Partnership	10/24/06 to 10/23/16 Options to 10/23/26
Flanigan’s Seafood Bar and Grill #55 CIC Investors #55, Ltd. 2190 S. University Drive Davie, Florida	5,900	200	Limited Partnership	1/5/07 to 12/31/21 Options to 12/31/31
Flanigan's Seafood Bar and Grill #60 CIC Investors #60 Ltd. 9516 Harding Avenue Surfside, FL	6,800	200	Limited Partnership	8/1/97 to 12/31/21
Flanigan’s Seafood Bar and Grill #65 CIC Investors #65, Ltd. 2335 State Road 7, Suite 100 Wellington, FL	6,128	200	Limited Partnership	5/01/05 to 6/30/15 Options to 3/31/25

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Name and Location	Square Footage	Seats	Franchised/ Owned by	Lease Terms
Flanigan's Seafood Bar and Grill #70 CIC Investors #70 Ltd. 12790 SW 88 St Kendall, FL	4,850	161	Limited Partnership	4/1/00 to 3/31/15 Options to 3/31/30
Flanigan's Seafood Bar and Grill #75 (12) Flanigan's Enterprises, Inc. 950 S. Federal Highway Stuart, FL	7,000	200	Limited Partnership	5/1/10 to 4/30/13 Option to 4/30/16
Flanigan's Seafood Bar and Grill #80 CIC Investors #80 Ltd. 8695 N.W. 12th St Miami, FL	5,000	165	Limited Partnership	6/15/01 to 12/14/19 Options to 12/14/39
Flanigan's Seafood Bar and Grill #95 CIC Investors #95 Ltd. 2460 Weston Road Weston, FL	5,700	235	Limited Partnership	7/29/01 to 7/28/17 Options to 7/28/32
Mardi Gras Flanigan's Enterprises,	10,000	400	Company	4/30/06 to 4/30/16 Option to 4/30/26

Inc., #600 (4)(7)

Powers Ferry Landing

Atlanta, GA

(1) Franchised by Company.

(2) Lease assigned to franchisee.

(3) In 1974, we sold and assigned the underlying ground lease to unaffiliated third parties and simultaneously subleased it back. As of October 1, 2011, we have purchased from the unaffiliated third parties and own 52% of the underlying ground lease and our sublease agreement. As a result, we pay all rent due under the ground lease, but only 48% of the rent due under the sublease agreement.

(4) Location managed by an unaffiliated third party.

(5) Effective December 1, 1998, we purchased the Management Agreement to operate the franchised restaurant for the franchisee.

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(6) Ground lease executed by us on September 25, 2001. We constructed a 4,120 square foot building, of which 1,978 square feet is used by us for the operation of a package liquor store and the other 2,142 square feet is subleased to an unaffiliated third party as retail space. The package liquor store opened for business on November 17, 2003.

(7) During the third quarter of our fiscal year 2006, our lease for this location expired. The unaffiliated third party entered into a new lease for the business premises effective May 1, 2006 and as of that date, we no longer have responsibility to pay any amounts under the lease.

(8) During the first quarter of our fiscal year 2010, we purchased the operating assets of this restaurant from our franchisee and during the fourth quarter of our fiscal year 2010, we entered into a new lease for this location.

(9) During the first quarter of our fiscal year 2010, we closed on the purchase of the real property and building of this location.

(10) During the fourth quarter of our fiscal year 2010, we closed on the purchase of the real property and building of this location.

(11) During the first quarter of our fiscal year 2011, we closed on the purchase of the real property and building of this location.

(12) During the fourth quarter of our fiscal year 2011, we purchased the operating assets of this restaurant from our limited partnership.

Recent Purchase of Real Property

Kendall, Florida

During the fourth quarter of our fiscal year 2011 we contracted for the purchase of a two building shopping center in Miami, Florida, which consists of one building which is leased to twelve unaffiliated third parties and a second stand-alone building where our limited partnership owned restaurant located at 12790 SW 88th Street, Miami, Florida,(Store #70), operates. Subsequent to the end of our fiscal year 2011, we assigned all of our rights under the contract to a new wholly owned subsidiary, (Flanigan's Calusa Center, LLC, a Florida limited liability company), and closed on the purchase. We paid $6,140,000 for this property, $4,500,000 of which we borrowed from a non-affiliated third party lender, pursuant to a first mortgage, (the "$4.5M Mortgage Loan"), which we guaranteed. The $4.5M Mortgage Loan is in the original principal amount of $4,500,000 and bears interest at a variable rate. We entered into an interest rate swap agreement to hedge the interest rate risk as to $3,750,000 of the principal amount, (the "$3.75M

Hedged Amount"), which fixed the interest rate as to that portion of the principal amount of the $4.5M Mortgage Loan at 4.51% per annum throughout the term of the loan. The $4.5M Mortgage Loan is amortized over twenty (20) years, with our current monthly payment of principal and interest as to the $3.75M Hedged Amount, each in the amount of $23,700 and with our current monthly payment of principal and interest as to that portion of the principal amount not fixed by the interest rate swap agreement, ($750,000), payable at a variable interest rate, (2.49% as of November 30, 2011). The entire principal balance and all accrued but unpaid interest is due on December 1, 2019.

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Purchase of Operating Assets from Limited Partnership

Stuart, Florida

During the fourth quarter of our fiscal year 2011, we purchased from our limited partnership, the operating assets of the restaurant located at 950 S. Federal Highway, Stuart, Martin County, Florida for a purchase price of $664,000 and on July 31, 2011 this restaurant began operating as a Company-owned restaurant.

Extension of Existing Lease for Existing Location

Surfside, Florida

During the first quarter of our fiscal year 2011, the limited partnership which owns the restaurant located at 9516 Harding Avenue, Surfside, Florida, (Store #60), extended its lease for a period of ten years. The renewal terms are substantially the same as the existing lease, except that the annual rent was subject to an increase effective January 1, 2011 and will thereafter be subject to fixed annual increases.

Sale of Guaranteed Leasehold Interest

During the second quarter of our fiscal year 2011, we sold our interest, as guarantor, of a nine (9) year leasehold interest in premises we do not currently use in our operations to an unrelated third party for $231,250. Prior to the sale we received annual net income of approximately $45,000 from an unrelated sublessee. The lease for the location was terminated, thereby also terminating our guaranty of the leasehold interest. The proceeds from this transaction are recognized as other income in the accompanying Consolidated Statements of Income.

Item 3. Legal Proceedings.

From time to time, we are a defendant in litigation arising in the ordinary course of our business, including claims resulting from “slip and fall” accidents, claims under federal and state laws governing access to public accommodations, employment-related claims and claims from guests alleging illness, injury or other food quality, health or operational concerns. To date, none of this litigation, some of which is covered by insurance, has had a material effect on us.

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We own the building where our corporate offices are located. On April 16, 2001, we filed suit against the owner of the adjacent shopping center to determine our right to non-exclusive parking in the shopping center. During fiscal year 2007, the appellate court affirmed and upon re-hearing, again affirmed the granting of a summary judgment in favor of the shopping center. The seller from whom we purchased the building was named as a defendant in the lawsuit by the owner of the adjacent shopping center and we filed and served a cross-complaint against the seller. During the fourth quarter of our fiscal year 2009, the seller was awarded reimbursement of its attorneys' fees and costs in the amount of $109,000 and during the second quarter of our fiscal year 2010, the trial court denied our motion for re-consideration of a portion of the award. During the third quarter of our fiscal year 2010, we paid the award of attorneys' fees and costs. During the second quarter of our fiscal year 2009, the seller filed suit against us for malicious prosecution. During the second quarter of our fiscal year 2010, the court denied the seller's motion for punitive damages. During the fourth quarter of our fiscal year 2011, we settled the suit with a payment of $2,500.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NYSE/AMEX under the symbol "BDL". The following table sets forth the high and low sales prices of a share of our common stock for the periods specified as reported by the NYSE/AMEX:

Fiscal Year 2010		**High**	**Low**
First Quarter	(October 4, 2009 - January 2, 2010)	$6.62	$5.00
Second Quarter	(January 3, 2010 – April 3, 2010)	$7.45	$5.03
Third Quarter	(April 4, 2010 – July 2, 2010)	$7.50	$6.25
Fourth Quarter	(July 3, 2010 – October 2, 2010)	$7.34	$5.65
Fiscal Year 2011			
First Quarter	(October 3, 2010 - January 1, 2011)	$8.92	$6.59
Second Quarter	(January 2, 2011 – April 2, 2011)	$9.02	$7.56
Third Quarter	(April 3, 2011 – July 2, 2011)	$9.46	$7.27
Fourth Quarter	(July 3, 2011 – October 1, 2011)	$7.90	$6.48

Holders

As of the close of business on December 28, 2011, there were approximately 317 holders of record of our common stock.

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Dividend Policy

On December 22, 2010, our Board declared a cash dividend of 10 cents per share payable on January 18, 2011 to shareholders of record on January 7, 2011. We did not declare or pay any cash dividends on our capital stock in our fiscal year 2010. Any future determination to pay cash dividends will be at our Board's discretion and will depend upon our financial condition, operating results, capital requirements and such other factors as our Board deems relevant.

Equity Compensation Plan Information

The following table sets forth information at October 1, 2011 regarding compensation plans under which our equity securities are authorized for issuance:

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants, restricted** stock and rights	**Weighted-average exercise price of outstanding options, warrants, restricted** stock and rights	**Number of securities remaining available for future issuance under equity compensation** Plans
Equity compensation plans approved by security holders	—	$ —	40,000
Equity compensation plans not approved by security holders	—	$ —	—
Total	—	$ —	40,000

Issuer Repurchases of Equity Securities

Pursuant to a discretionary plan approved by the Board of Directors at its meeting on May 17, 2007, the Board of Directors authorized management to purchase up to 100,000 shares of our common stock. Since the Board's 2007 authorization, we have purchased an aggregate of 32,186 shares, of which 868 shares were purchased by us in fiscal year 2011. During the fourth quarter of our fiscal year 2011, we purchased 50 shares from an employee in an off the market transaction, which reflected an actual per share purchase price which was equal to the average per share market price on the date of purchase.

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ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 3, 2011 – August 2, 2011	None			67,864
August 3, 2011 – September 2, 2011	None			67,864
September 3, 2011 –October 1, 2011	50	7.11	50	67,814
Total as of October 1, 2011	50	7.11	50	67,814

Item 6. Selected Financial Data

As a Smaller Reporting Company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item 6.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Except for the historical information contained herein, the following discussion contains forward-looking statements that are subject to known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from those expressed or implied by such forward-looking statements. We discuss such risks, uncertainties and other factors throughout this report and specifically under the captions “Risk Factors”. In addition, the following discussion and analysis should be read in conjunction with the 2011 Consolidated Financial Statements and the related Notes to Consolidated Financial Statements included elsewhere in this report.

Overview

Financial Information Concerning Industry Segments

Our business is conducted principally in two segments: the restaurant segment and the package liquor store segment. Financial information broken into these two principal industry segments for the two fiscal years ended October 1, 2011 and October 2, 2010 is set forth in the consolidated financial statements which are attached hereto.

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General

At October 1, 2011, we (i) operated 24 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of one restaurant and four combination restaurants/package liquor stores, (one restaurant of which we operate).

Franchised Units. In exchange for our providing management and related services to our franchisees and granting them the right to use our service marks "Flanigan's Seafood Bar and Grill" and "Big Daddy's Liquors", our franchisees (five of which are franchised to members of the family of our Chairman of the Board, officers and/or directors), are required to (i) pay to us a royalty equal to 1% of gross package liquor sales and 3% of gross restaurant sales; and (ii) make advertising expenditures equal to between 1.5% to 3% of all gross sales based upon our actual advertising costs allocated between stores, pro-rata, based upon gross sales.s

Affiliated Limited Partnership Owned Units. We manage and control the operations of the eight restaurants owned by limited partnerships, except the Fort Lauderdale, Florida restaurant which is managed and controlled by a related franchisee. Accordingly, the results of operations of all limited partnership owned restaurants, except the Fort Lauderdale, Florida restaurant are consolidated with our results of operations for accounting purposes. The results of operations of the Fort Lauderdale, Florida restaurant are accounted for by us utilizing the equity method.

Results of Operations

REVENUES (in thousands):

	Fifty Two Weeks Ended Oct. 1, 2011		Fifty Two Weeks Ended Oct. 2, 2010	
Sales				
Restaurant, food	$45,951	64.8 %	$44,354	64.6 %
Restaurant, bar	11,814	16.7 %	11,363	16.6 %
Package goods	13,141	18.5 %	12,898	18.8 %
Total	70,906	100.0%	68,615	100.0%
Franchise related revenues	1,023		1,076	
Owner’s fee	161		165	
Other operating				

income	219	137
Total Revenues	$72,309	$69,993

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Comparison of Fiscal Years Ended October 1, 2011 and October 2, 2010

Revenues. Total revenue for our fiscal year 2011 increased $2,316,000 or 3.31% to $72,309,000 from $69,993,000 for our fiscal year 2010.

Restaurant Food Sales. Restaurant revenue generated from the sale of food, including non-alcoholic beverages, at restaurants totaled $45,951,000 for our fiscal year 2011 as compared to $44,354,000 for our fiscal year 2010. Comparable weekly restaurant food sales (for restaurants open for all of our fiscal years 2011 and 2010, which consists of seven restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was $808,000 and $780,000 for our fiscal years 2011 and 2010, respectively, an increase of 3.59%. Comparable weekly restaurant food sales for Company owned restaurants only was $325,000 and $311,000 for our fiscal years 2011 and 2010, respectively, an increase of 4.50%. Comparable weekly restaurant food sales for affiliated limited partnership owned restaurants only was $483,000 and $469,000 for our fiscal years 2011 and 2010, respectively, an increase of 2.99%. We increased menu prices during the fourth quarter of our fiscal year 2011 to offset higher food costs and overall expenses.

Restaurant Bar Sales. Restaurant revenue generated from the sale of alcoholic beverages at restaurants totaled $11,814,000 for our fiscal year 2011 as compared to $11,363,000 for our fiscal year 2010. Comparable weekly restaurant bar sales (for restaurants open for all of our fiscal years 2011 and 2010, which consists of seven restaurants owned by us and eight restaurants owned by affiliated limited partnerships) was $205,000 and $199,000 for our fiscal years 2011 and 2010, respectively, an increase of 3.02%. Comparable weekly restaurant bar sales for Company owned restaurants only was $79,000 and $78,000 for our fiscal years 2011 and 2010, respectively, an increase of 1.28%. Comparable weekly restaurant bar sales for affiliated limited partnership owned restaurants only was $126,000 and $121,000 for our fiscal years 2011 and 2010, respectively, an increase of 4.13%. We increased our bar liquor prices during the fourth quarter of our fiscal year 2010.

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Package Liquor Store Sales. Revenue generated from sales of liquor and related items at package liquor stores totaled $13,141,000 for our fiscal year 2011 as compared to $12,898,000 for our fiscal year 2010, an increase of $243,000 or 1.88%. The weekly average of same store package liquor store sales, which includes all nine (9) Company owned package liquor stores, was $253,000 for our fiscal year 2011 as compared to $248,000 for our fiscal year 2010, an increase of 2.02%.

Operating Costs and Expenses. Operating costs and expenses, (consisting of cost of merchandise sold, payroll and related costs, occupancy costs and selling, general and administrative expenses), for our fiscal year 2011 increased $2,804,000 or 4.22% to $69,182,000 from $66,378,000 for our fiscal year 2010. The increase was primarily due to a general increase in food costs, offset by actions taken by management to reduce and/or control costs and expenses. We anticipate that our operating costs and expenses will continue to increase through our fiscal year 2012 due primarily to an expected general increase in food costs, including an increase in our cost of ribs. Operating costs and expenses increased as a percentage of total sales to approximately 95.68% in our fiscal year 2011 from 94.84% in our fiscal year 2010.

Gross Profit. Gross profit is calculated by subtracting the cost of merchandise sold from sales.

Restaurant Food and Bar Sales. Gross profit for food and bar sales for our fiscal year 2011 increased to $37,857,000 from $36,570,000 for our fiscal year 2010. Our gross profit margin for restaurant food and bar sales (calculated as gross profit reflected as a percentage of restaurant food and bar sales), was 65.54% for our fiscal year 2011 and 65.64% for our fiscal year 2010. We anticipate that our gross profit for restaurant food and bar sales will increase during our fiscal year 2012 due primarily to an increase in menu prices instituted in the fourth quarter of our fiscal year 2011, offset by a general increase in food costs, including an increase in our cost of ribs during calendar year 2012.

Package Liquor Store Sales. Gross profit for package liquor store sales for our fiscal year 2011 increased to $4,381,000 from $4,319,000 for our fiscal year 2010. Our gross profit margin (calculated as gross profit reflected as a percentage of package liquor store sales) for package liquor store sales was 33.34% for our fiscal year 2011 and 33.49% for our fiscal year 2010. We anticipate the gross profit margin for package store sales to decrease throughout our fiscal year 2012 due to our inability to purchase “close out” and inventory reduction merchandise from wholesalers.

Payroll and Related Costs. Payroll and related costs for our fiscal year 2011 increased $1,044,000 or 5.05% to $21,712,000 from $20,668,000 for our fiscal year 2010 due primarily to increases in payroll taxes, including unemployment tax. We anticipate that our payroll and related costs will increase through our fiscal year 2012 due primarily to a 4.9% increase in the Florida minimum wage to take effect January 1, 2012. Payroll and related costs as a percentage of total sales was 30.03% in our fiscal year 2011 and 29.53% of total sales in our fiscal year 2010.

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Occupancy Costs. Occupancy costs (consisting of rent, common area maintenance, repairs, real property taxes and amortization of leasehold interests) for our fiscal year 2011 increased $98,000 or 2.35% to $4,264,000 from $4,166,000 for our fiscal year 2010. We anticipate that our occupancy costs will decrease through our fiscal year 2012 as a result of our purchase of the shopping center in Kendall, Florida and the elimination of rent from a limited partnership owned restaurant located therein (Store #70) upon consolidation.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (consisting of general corporate expenses, including but not limited to advertising, insurance, professional costs, clerical and administrative overhead) for our fiscal year 2011 increased $720,000 or 5.21% to $14,538,000 from $13,818,000 for our fiscal year 2010. Selling, general and administrative expenses increased as a percentage of total sales in our fiscal year 2011 to 20.11% as compared to 19.74% in our fiscal year 2010. We anticipate that our selling, general and administrative expenses will increase through our fiscal year 2012 across all categories.

Depreciation and Amortization. Depreciation and amortization for our fiscal year 2011 increased $112,000 or 4.56% to $2,570,000 from $2,458,000 for our fiscal year 2010. As a percentage of revenue, depreciation and amortization expense was 3.55% of revenue for our fiscal year 2011 and 3.51% of revenue for our fiscal year 2010.

Interest Expense, Net. Interest expense for our fiscal year 2011 increased $132,000 to $615,000 from $483,000 for our fiscal year 2010. Interest expense increased during our fiscal year 2011 primarily due to the interest paid on the mortgages associated with the purchase of the real property upon which our restaurant located at 2600 West Davie Boulevard, Fort Lauderdale, Florida (Store #22) and our combination restaurant and package liquor store located at 13205 Biscayne Boulevard, North Miami, Florida (Store #20) operate, during the fourth quarter of our fiscal year 2010 and the first quarter of our fiscal year 2011, respectively.

Net Income Attributable to Stockholders. Net income attributable to stockholders for our fiscal year 2011 decreased $230,000 or 13.70% to $1,449,000 from $1,679,000 for our fiscal year 2010. As a percentage of sales, net income for our fiscal year 2011 is 2.00%, as compared to 2.40% in our fiscal year 2010. During our fiscal year 2011, we recognized income of $231,000, offset by income tax of $67,000, from the sale of our interest, as guarantor, of a nine (9) year leasehold interest. Without giving effect to the above non-recurring item, our net income attributable to stockholders for our fiscal year 2011 would have decreased $394,000 or 23.47% to $1,285,000.

New Limited Partnership Restaurants

During our fiscal years 2011 and 2010, we did not have a new restaurant location in the development stage and did not recognize any pre-opening costs.

While we currently have no new restaurants under development, if we are to open new restaurants, our income from operations will be adversely affected due to our obligation to fund pre-opening costs, including but not limited to pre-opening rent for the new locations. We believe that our current cash on hand, together with our expected cash generated from operations will be sufficient to fund our operations and capital expenditures for at least the next twelve months.

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Trends

During the next twelve months, we expect that our gross profit for restaurant food and bar sales will increase due primarily to an increase in menu prices instituted during the fourth quarter of our fiscal year 2011, offset by a general increase in food costs, including an increase in our cost of ribs during calendar year 2012. We expect package store sales to remain stable, although we expect the gross profit margin for package store sales to decrease due to our inability to purchase “close out” and inventory reduction merchandise from wholesalers. We expect higher food costs and higher overall expenses to adversely affect our net income. We also increased our advertising to attract and retain our customers against increased competition. With these menu price increases, we plan to limit further menu price increases as long as possible, but continue to face increased competition and expect higher food costs and higher overall expenses, which will adversely affect our net income. We may be required to raise menu prices wherever competitively possible.

Although we have no new restaurant in development, we continue to search for new locations to open restaurants and thereby expand our business, but we are now looking for locations that will not require an extensive and costly renovation. Any new locations will likely be opened using our limited partnership ownership model.

We are not actively searching for locations for the operation of new package liquor stores, but if an appropriate location for a package liquor store becomes available, we will consider it.

Liquidity and Capital Resources

We fund our operations through our cash on hand and positive cash flow from operations. As of October 1, 2011, we had cash of approximately $4,264,000, a decrease of $2,183,000 from our cash balance of $6,447,000 as of October 2, 2010. The decrease in cash as of October 1, 2011 was primarily due to (i) our expending approximately $1,750,000 for the cash portion of the purchase price required to close on the purchase of the real property and building where our combination restaurant and package liquor store located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates, offset by $850,000 we borrowed from a related third party at the end of the first quarter, which loan is secured by a mortgage on the real property and building; and (ii) our expending approximately $1,261,000 for renovations to one (1) existing Company owned restaurant. Management believes that the Company’s current cash availability from its cash on hand and the expected cash from operations will be sufficient to fund operations and capital expenditures for at least the next twelve months.

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Cash Flows

	Fiscal Years	
	2011	2010
	(in thousands)	
Net cash and cash equivalents provided by operating activities	$4,352	$7,122
Net cash and cash equivalents used in investing activities	(4,172)	(2,958)
Net cash and cash equivalents used in financing activities	(2,363)	(2,297)
Net increase (decrease) in cash and equivalents	(2,183)	1,867
Cash and equivalents, beginning of year	6,447	4,580
Cash and equivalents, end of year	$4,264	$6,447

Capital Expenditures

In addition to using cash for our operating expenses, we use cash to fund the development and construction of new restaurants and to fund capitalized property improvements for our existing restaurants. We acquired property and equipment of $4,586,000, (including $122,000 of which was financed and $28,000 of deposits recorded in other assets as of October 2, 2010), during our fiscal year 2011, including $1,261,000 for renovations to one (1) existing Company owned restaurant. During our fiscal year 2010, we acquired property and equipment of $5,005,000, (including $1,896,000 of which was financed, $99,000 of which was the non-cash purchase of the assets of the franchised restaurant and $36,000 of deposits recorded in other assets as of October 3, 2009), during our fiscal year 2010, including $1,028,000 for renovations to four (4) existing Company owned restaurants. All of our owned units require periodic refurbishing in order to remain competitive. The cost of this refurbishment in our fiscal year 2011 was $1,261,000 for renovations to one (1) existing Company owned restaurant. We anticipate the cost of this refurbishment in our fiscal year 2012 will be approximately $600,000, which funds will be provided from operations.

Debt

As of the end of our fiscal year 2011, we had debt of $8,757,000, as compared to $8,053,000 as of the end of our fiscal year 2010.

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Subsequent to the end of our fiscal year 2011, we borrowed $1,600,000 from a non affiliated third party lender, (the "$1.6M Term Loan"), as the cash to close on our purchase of the real property and buildings where our limited partnership restaurant at 12790 SW 88th Street, Miami, Florida (Store #70) is located and to insure that we have adequate working capital and cash reserves. The $1.6M Term Loan is in the principal amount of $1,600,000 and bears interest at a variable interest rate equal to the BBA LIBOR Rate (Adjusted Periodically), plus 2.25%. We entered into an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the term loan at 3.43% per annum throughout the term of the loan. The $1.6M Term Loan is payable interest only for three (3) months and then is fully amortized over forty five (45) months, with our monthly payment of principal and interest, totaling $38,000. We granted our lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under our term loan.

Subsequent to the end of our fiscal year 2011, Flanigan's Calusa Center, LLC, our wholly owned limited liability company, borrowed $4,500,000 from a non-affiliated third party lender, (the "$4.5M Mortgage"), which we guaranteed, as a part of the purchase price of the real property and buildings where our limited partnership restaurant at 12790 SW 88th Street, Miami, Florida (Store #70) is located. The $4.5M Mortgage Loan is in the original principal amount of $4,500,000 and bears interest at a variable rate equal to the BBA LIBOR Rate (Adjusted Periodically) plus 2.25%. We entered into an interest rate swap agreement to hedge the interest rate risk as to $3,750,000 of the principal amount, (the "$3.75M Hedged Amount"), which fixed the interest rate as to that portion of the principal amount of the $4.5M Mortgage Loan at 4.51% per annum throughout the term of the loan. The $4.5M Mortgage Loan is amortized over twenty (20) years, with our current monthly payment of principal and interest as to the $3.75M Hedged Amount, each in the amount of $23,700 and with our current monthly payment of principal and interest as to that portion of the principal amount not fixed by the interest rate swap agreement, ($750,000), payable at a variable interest rate, (2.49% as of November 30, 2011). The entire principal balance and all accrued but unpaid interest is due on December 1, 2019.

We repaid long term debt, including auto loans, financed insurance premiums and mortgages in the amount of $1,350,000 and $1,075,000 in our fiscal years 2011 and 2010, respectively.

Financed Insurance Premiums

(i) For the policy year beginning December 30, 2009, our property insurance was a two (2) year policy with our insurance carrier. The two (2) year property insurance premium, in the amount of $631,000, was financed in full through an unaffiliated third party lender. The finance agreement was amortized over 20 months and was paid in full during the fourth quarter of our fiscal year 2010.

(ii) For the policy year beginning December 30, 2010, our property insurance is a three (3) year policy with our insurance carrier. The three (3) year property insurance premium is in the amount of $894,000, of which $727,000 is financed through an unaffiliated third party lender. The finance agreement provides that we are obligated to repay the amounts financed, together with interest at the rate of 4.89% per annum, over 30 months, with monthly payments of principal and interest, each in the amount of approximately $25,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(iii) For the policy year beginning December 30, 2010, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers, including automobile and excess liability coverage. The one (1) year general liability insurance premiums, including automobile and excess liability coverage, total, in the aggregate $244,000, of which $195,000 was financed through the same unaffiliated third party lender. The finance agreement obligated us to repay the amounts financed together with interest at the rate of 2.99% per annum, over 9 months, with monthly payments of principal and interest, each in the amount of $23,000 and was paid in full during the fourth quarter of our fiscal year 2011. The finance agreement was secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

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(iv) For the policy year beginning December 30, 2010, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers, including excess liability coverage. The one (1) year general liability insurance premiums, including excess liability coverage, total, in the aggregate $198,000, of which $159,000 was financed through the same unaffiliated third party lender. The finance agreement obligated us to repay the amounts financed, together with interest at the rate of 2.99% per annum, over 9 months, with monthly payments of principal and interest, each in the amount of $17,000. The finance agreement was secured by a security agreement in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(v) For the policy year beginning December 30, 2011, our general liability insurance, excluding limited partnerships, is a one (1) year policy with our insurance carriers, including automobile and excess liability coverage. The one (1) year general liability insurance premiums, including automobile and excess liability coverage, total, in the aggregate $286,000, of which $250,000 is financed through the same unaffiliated third party lender. The finance agreement obligates us to repay the amounts financed together with interest at the rate of 3.19% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of $25,000. The finance agreement is secured by a security interest in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

(vi) For the policy year beginning December 30, 2011, our general liability insurance for our limited partnerships is a one (1) year policy with our insurance carriers, including excess liability coverage. The one (1) year general liability insurance premiums, including excess liability coverage, total, in the aggregate $356,000, of which $297,000 is financed through the same unaffiliated third party lender. The finance agreement obligates us to repay the amounts financed, together with interest at the rate of 3.19% per annum, over 10 months, with monthly payments of principal and interest, each in the amount of $30,000. The finance agreement is secured by a security agreement in all insurance policies, all unearned premium, return premium, dividend payments and loss payments thereof.

As of October 1, 2011, the aggregate principal balance owed from the financing of our property and general liability insurance policies is $573,000.

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants during calendar year 2011, on November 30, 2010, we entered into a purchase agreement with a new rib supplier, whereby we agreed to purchase approximately $3,100,000 of baby back ribs from this vendor at a fixed cost. Pursuant to the terms of our purchase agreement, we opted to purchase the maximum supply of baby back ribs available to take advantage of the more

favorable pricing, which supply we estimate will last through February, 2012. As of October 1, 2011, we still owed approximately $1,200,000 under our purchase agreement.

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In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants, on October 31, 2011, we entered into a purchase agreement with a new rib supplier, whereby we agreed to purchase approximately $3,100,000 of baby back ribs during calendar year 2012, commencing March 1, 2012, from this vendor at a fixed cost. While we anticipate purchasing all of our rib supply from this vendor, we believe there are several other alternative vendors available, if needed.

Purchase of Limited Partnership Interests

During our fiscal year 2011, we purchased from one limited partner (who is not an officer, director or family member of officers or directors) a limited partnership interest of 1.06% in one (1) limited partnership which owns a restaurant for an aggregate purchase price of $17,000. During our fiscal year 2010, we purchased from two separate limited partners (neither of whom are officers, directors or family members of officers or directors) limited partnership interests of 0.15% and 0.30%, respectively, in one (1) limited partnership which owns a restaurant for an aggregate purchase price of $10,000.

Working capital

The table below summarizes our current assets, current liabilities and working capital for our fiscal years 2011 and 2010:

(in thousands)	Oct. 1 2011	Oct. 2 2010
Current assets	$8,293	$9,754
Current liabilities	6,473	6,373
Working capital	1,820	3,381

Our working capital as of October 1, 2011 decreased by 46.17% from working capital as of October 2, 2010. Our working capital decreased during our fiscal year 2011 from our working capital for our fiscal year ended October 2,

2010 primarily due to our (i) use of approximately $900,000 in connection with our acquisition of the real property and building where our combination restaurant and package liquor store located at 13205 Biscayne Boulevard, North Miami, Florida, (Store #20) operates, (ii) use of $1,261,000 for renovations to the existing Company owned restaurant located at 45 South Federal Highway, Boca Raton, Florida; (iii) use of $300,000 in connection with our acquisition of the operating assets of the existing limited partnership owned restaurant located at 950 South Dixie Highway, Stuart, Florida; and (iv) payment on January 18, 2011 of the dividend ($188,000) declared by our Board of Directors on December 22, 2010.

While there can be no assurance due to, among other things, unanticipated expenses or unanticipated decline in revenues, or both, we believe that our cash on hand and positive cash flow from operations will adequately fund operations, debt reductions and planned capital expenditures throughout our fiscal year 2012.

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Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of the end of our fiscal year 2011 or our fiscal year 2010.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements located in Item 8 of this Annual Report on Form 10-K. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the related disclosures of contingent assets and liabilities. Actual results could differ from those estimates under different assumptions or conditions. We believe that the following critical accounting policies are subject to estimates and judgments used in the preparation of our consolidated financial statements:

Estimated Useful Lives of Property and Equipment

The estimates of useful lives for property and equipment are significant estimates. Expenditures for the leasehold improvements and equipment when a restaurant is first constructed are material. In addition, periodic refurbishing takes place and those expenditures can be material. We estimate the useful life of those assets by considering, among other things, expected use, life of the lease on the building, and warranty period, if applicable. The assets are then depreciated using a straight line method over those estimated lives. These estimated lives are reviewed periodically and adjusted if necessary. Any necessary adjustment to depreciation expense is made in the income statement of the period in which the adjustment is determined to be necessary.

Consolidation of Limited Partnerships

As of October 1, 2011, we operate eight (8) restaurants as general partner of the limited partnerships that own the operations of these restaurants. Additionally, we expect that any expansion which takes place in opening new restaurants will also result in us operating the restaurants as general partner. In addition to the general partnership interest we also purchase limited partnership units ranging from 18% to 48% of the total units outstanding. As a result of these controlling interests, we consolidate the operations of these limited partnerships with ours despite the fact that we do not own in excess of 50% of the equity interests. All intercompany transactions are eliminated in consolidation. The minority interests in the earnings of these limited partnerships are removed from net income and are not included in the calculation of earnings per share.

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Income Taxes

FASB ASC Topic 740 – *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 bases of assets and liabilities and to tax net operating loss and tip credit carryforwards to the extent that realization of said benefits is more likely than not. For discussion regarding our carryforwards refer to Note 6 to the consolidated financial statements for our fiscal year 2011.

Other Matters

Impact of Inflation

The primary inflationary factors affecting our operations are food, beverage and labor costs. A large number of restaurant personnel are paid at rates based upon applicable minimum wage and increases in minimum wage directly affect labor costs. To date, inflation has not had a material impact on our operating results, but this circumstance may change in the future if food and fuel costs continue to rise.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As part of our ongoing operations, we are exposed to interest rate fluctuations on our borrowings. As more fully described in Note 9 “Fair Value Measurements of Financial Instruments” to the Consolidated Financial Statements included in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, we use interest rate swap agreements to manage these risks. These instruments are not used for speculative purposes but are used to modify variable rate obligations into fixed rate obligations.

At October 1, 2011, we had two variable rate debt instruments outstanding that are impacted by changes in interest rates. In July, 2010, we converted the amount outstanding on our line of credit ($1,586,000) to a term loan (the “Term Loan”) and we also re-financed the mortgage loan encumbering our corporate offices (the “Refinanced Mortgage Loan”).

As a means of managing our interest rate risk on these and two additional debt instruments, we entered into interest rate swap agreements with our unrelated third party lender to convert these variable rate debt obligations to fixed rates. We are currently party to the following four (4) interest rate swap agreements:

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(i) One (1) interest rate swap agreement entered into in July, 2010 relates to the Term Loan, (the "Term Loan Swap"), which converts the LIBOR based variable rate interest to a fixed rate. The Term Loan Swap requires us to pay interest for a three (3) year period at a fixed rate of 4.55% on an initial amortizing notional principal amount of $1,586,000, while receiving interest for the same period at the British Bankers Association LIBOR ("LIBOR"), Daily Floating Rate, plus 3.25%, on the same amortizing notional principal amount. Under this method of accounting, at October 1, 2011, we determined the fair value of the Term Loan Swap to be a liability of approximately ($10,000) based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender. The fair value of the Term Loan Swap at October 1, 2011 was not significant; and

(ii) The second interest rate swap agreement entered into July, 2010 relates to the Refinanced Mortgage Loan (the "Mortgage Loan Swap"). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of $935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at October 1, 2011, we determined the fair value of the Mortgage Loan Swap to be a liability of approximately ($73,000) based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender. The fair value of the Mortgage Loan Swap, at October 1, 2011 was not significant.

(iii) Subsequent to the end of our fiscal year 2011, we entered a third swap agreement relating to the $1.6M Term Loan. The swap agreement hedges our interest rate risk and fixed the interest rate of the $1.6M Term Loan at 3.43% per annum throughout the term of the loan.

(iv) Subsequent to the end of our fiscal year 2011, Flanigan's Calusa Center, LLC, our wholly owned limited liability company, entered into a swap agreement related to $3,750,000 of the $4.5M Mortgage. The swap agreement hedges our interest rate risk as to $3,750,000 of the $4.5M Mortgage at 4.51% per annum throughout the term of the loan.

At October 1, 2011, our cash resources earn interest at variable rates. Accordingly, our return on these funds is affected by fluctuations in interest rates.

There is no assurance that interest rates will increase or decrease over our next fiscal year or that an increase will not have a material adverse effect on our operations.

Item 8. Financial Statements and Supplementary Data.

Our Financial Statements and supplementary data are on pages F-1 through F-6.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None

Item 9A. Controls and Procedures.

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Evaluation of Disclosure Controls and Procedures

Based on evaluations as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer, with the participation of our management team, have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) to the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were effective.

Management's Assessment of Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of October 1, 2011, our internal control over financial reporting was effective.

Limitations on the Effectiveness of Controls and Permitted Omission from Management's Assessment

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

During the period covered by this report, we have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 is incorporated by reference to our Proxy Statement for our 2012 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 29, 2012.

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Item 11. Executive Compensation.

The information required by Item 11 is incorporated by reference to our Proxy Statement for our 2012 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 29, 2012.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 is incorporated by reference to our Proxy Statement for our 2012 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 29, 2012.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by Item 13 is incorporated by reference to our Proxy Statement for our 2012 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 29, 2012.

Item 14. Principal Accountant Fees and Services.

The information required by Item 14 is incorporated by reference to our Proxy Statement for our 2012 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission by January 29, 2012.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) Financial Statements

See Item 8, “Financial Statements and Supplementary Data” for Financial Statements included with this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

All other schedules have been omitted because the required information is not applicable or the information is included in the consolidated financial statements or the Notes thereto.

(a)(3) Exhibits

The exhibits listed on the accompanying Index to Exhibits are filed as part of this Annual Report.

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2	Plan of Reorganization, Amended Disclosure Statement, Amended Plan of Reorganization, Modification of Amended Plan of Reorganization, Second Modification of Amended Plan of Reorganization, Order Confirming Plan of Reorganization	SB-2	5/5/87	2	
3	Restated Articles of Incorporation, adopted January 9, 1984	10-K	12/29/02	3	
10(a)(1)	Employment Agreement with Joseph G. Flanigan*	DEF14A	1/27/1988	10(a)(1)	
10(a)(2)	Form of Employment Agreement between Joseph G. Flanigan and the Company (as ratified and amended by the stockholders at the 1988 annual meeting is incorporated herein by reference).*	10-K		10(a)(1)	
10(c)	Consent Agreement regarding the Company's Trademark Litigation	8-K	4/10/1985	10(c)	
10(d)	King of Prussia(#850)Partnership Agreement*	8-K	4/10/1985	10(d)	
10(o)	Management Agreement for Atlanta, Georgia, (#600)*	10-K	10/3/1992	10(o)	
10(p)	Settlement Agreement with Former Vice Chairman of the Board of Directors (re #5)	10-K	10/3/1992	10(p)	
10(q)	Hardware Purchase Agreement and Software License Agreement for restaurant point of sale system.	10-KSB	10/2/1993	10(q)	
10(a)(3)	Key Employee Incentive Stock Option Plan	DEF14A	1/26/1994	10(a)(3)	
10(r)	Limited Partnership Agreement of CIC Investors #13, Ltd,. between Flanigan's Enterprises, Inc., as General Partner and fifty percent owner of the limited partnership, and Hotel Properties, LTD. *	10-KSB	9/30/1995	10(r)	
10(s)	Form of Franchise Agreement between Flanigan's Enterprises, Inc. and Franchisees.*	10-KSB	9/30/1995	10(s)	
10(t)	Licensing Agreement between Flanigan's Enterprises, Inc. and James B. Flanigan, dated November 4, 1996, for non-exclusive use of the servicemark "Flanigan's" in the Commonwealth of Pennsylvania. *	10-KSB	9/28/1996	10(t)	

10(u)	Limited Partnership Agreement of CIC Investors #15 Ltd., dated March 28, 1997, between B.D. 15 Corp. as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as a limited partner owning twenty five percent of the limited partnership. *	10-KSB	9/27/1997	10(u)

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10(v)	Limited Partnership Agreement of CIC Investors #60 Ltd., dated July 8, 1997, between Flanigan's Enterprises, Inc., as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning forty percent of the limited partnership. *	10-KSB	9/27/1997	10(v)
10(w)	Stipulated Agreed Order of Dismissal upon Mediation with former franchisee.	10-KSB	9/27/1997	10(w)
10(x)	Limited Partnership Agreement of CIC Investors #70, Ltd. dated February 1999 between Flanigan's Enterprises, Inc. as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning forty percent of the limited partnership. *	10-KSB	10/02/1999	10(x)
10(y)	Limited Partnership Agreement of CIC Investors #80, Ltd., dated May 2001, between Flanigan's Enterprises, Inc. as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc., as limited partner owning twenty five percent of the limited partnership. *	10-KSB	9/29/2001	10(y)
10(z)	Limited Partnership Agreement of CIC Investors #95, Ltd., dated July 2001, between Flanigan's Enterprises, Inc., as General Partner and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning twenty eight percent of the limited partnership. *	10-KSB	9/29/2001	10(z)

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10(aa)	Limited Partnership Agreement of CIC Investors #75, Ltd., dated June 17, 2003, between Flanigan's Enterprises, Inc., as General Partner, and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning twelve percent of the limited partnership. *	10-K	9/27/03	10(aa)
10(bb)	Limited Partnership Agreement of CIC Investors #65, Ltd., dated June 24, 2004, between Flanigan's Enterprises, Inc., as General Partner, and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning twenty six percent of the limited partnership. *	10-K	10/2/2004	10(bb)
10(cc)	Amended and Restated Limited Partnership Certificate and Agreement of CIC Investors #13, Ltd., dated March 1, 2006, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning thirty nine percent of the limited partnership. *	10-K	9/30/2006	10(cc)
10(dd)	Limited Partnership Agreement of CIC Investors #50, Ltd., dated October 17, 2006, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning sixteen percent of the limited partnership. *	10-K	9/29/2007	10(dd)
10(ee)	Limited Partnership Agreement of CIC Investors #55, Ltd., dated December 12, 2006, between Flanigan's Enterprises, Inc., as General Partner, Flanigan's Management Services, Inc. and numerous limited partners, including Flanigan's Enterprises, Inc. as limited partner owning forty eight percent of the limited partnership. *	10-K	9/29/2007	10(ee)
13	Registrant's Form 10-K constitutes the Annual Report to Shareholders for the fiscal year ended October 1, 2011.			X
21(a)	Company's subsidiaries are set forth in this Annual Report on Form 10-K.			X

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31.1	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 of Chief Executive Officer.	X
31.2	Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 of Chief Financial Officer.	X
32.1	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer.	X
32.2	Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer.	X

* Compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Flanigan's Enterprises, Inc.
Registrant

By: /s/ JAMES G. FLANIGAN II
JAMES G. FLANIGAN II
Chief Executive Officer
Date: 12/28/2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in their capacities and on the dates indicated.

/s/ JAMES G. FLANIGAN II James G. Flanigan II	Chairman of the Board, Chief Executor Officer,	Date: 12/28/2011

	and Director	
/s/ JEFFREY D. KASTNER Jeffrey D. Kastner	Chief Financial Officer Secretary and Director	Date: 12/28/2011
/s/ MICHAEL ROBERTS MICHAEL ROBERTS	Director	Date: 12/28/2011

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/s/ GERMAINE M. BELL Germaine M. Bell	Director	Date: 12/28/2011
/s/ BARBARA J. KRONK Barbara J. Kronk	Director	Date: 12/28/2011
/s/ AUGIE BUCCI Augie Bucci	Chief Operating Officer and Director	Date: 12/28/2011
/s/ MICHAEL B. FLANIGAN Michael B. Flanigan	Director	Date: 12/28/2011
/s/ PATRICK J. FLANIGAN Patrick J. Flanigan	Director	Date: 12/28/2011
/s/ CHRISTOPHER O'NEIL Christopher O'Neil	Director	Date: 12/28/2011

FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 1, 2011 AND OCTOBER 2, 2010

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Flanigan's Enterprises, Inc.

Fort Lauderdale, Florida

We have audited the accompanying consolidated balance sheets of Flanigan's Enterprises, Inc. and Subsidiaries as of October 1, 2011 and October 2, 2010 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Flanigan's Enterprises, Inc. and Subsidiaries as of October 1, 2011 and October 2, 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Marcum LLP

Fort Lauderdale, FL

December 28, 2011

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

OCTOBER 1, 2011 AND OCTOBER 2, 2010

(rounded to the nearest thousandth, except share amounts)

ASSETS	2011	2010
Current Assets:		
Cash and cash equivalents	$4,264,000	$6,447,000
Prepaid income taxes	219,000	—
Due from franchisees	—	2,000
Other receivables	152,000	193,000
Inventories	2,185,000	1,985,000
Prepaid expenses	1,119,000	786,000
Deferred tax assets	354,000	341,000
Total current assets	8,293,000	9,754,000
Property and Equipment, Net	26,182,000	23,995,000
Investment in Limited Partnership	140,000	140,000
Other Assets:		
Liquor licenses	470,000	470,000
Deferred tax assets	908,000	879,000
Leasehold interests, net	1,233,000	1,445,000
Other	940,000	631,000
Total other assets	3,551,000	3,425,000
Total assets	$38,166,000	$37,314,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$4,673,000	$4,607,000
Income taxes payable	—	269,000
Due to franchisees	632,000	649,000
Current portion of long-term debt	1,151,000	815,000
Deferred revenues	—	7,000
Deferred rent	17,000	26,000
Total current liabilities	6,473,000	6,373,000
Long-Term Debt, Net of Current Portion	7,606,000	7,238,000
Deferred Rent, Net of Current Portion	163,000	180,000

Equity:		
Flanigan's Enterprises, Inc. stockholders' equity		
Common stock, $.10 par value; 5,000,000 shares authorized; 4,197,642 shares issued; 1,861,047 and 1,861,915 outstanding for years ended 2011 and 2010	420,000	420,000
Capital in excess of par value	6,240,000	6,240,000
Retained earnings	16,717,000	15,456,000
Treasury stock, at cost, 2,336,595 and 2,335,727 shares for the years ended 2011 and 2010, respectively	(6,055,000)	(6,049,000)
Total Flanigan's Enterprises, Inc. stockholders' equity	17,322,000	16,067,000
Noncontrolling interests	6,602,000	7,456,000
Total equity	23,924,000	23,523,000
Total liabilities and equity	$38,166,000	$37,314,000

See notes to consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED
STATEMENTS
OF INCOME

Years Ended
October 1, 2011
and October 2,
2010

(rounded to the
nearest thousandth,
except per share
amounts)

	2011	2010
Revenues:		
Restaurant food sales	$45,951,000	$44,354,000
Restaurant beverage sales	11,814,000	11,363,000
Package goods sales	13,141,000	12,898,000
Franchise-related revenues	1,023,000	1,076,000
Owner's fee	161,000	165,000
Other operating income	219,000	137,000
	72,309,000	69,993,000
Costs and Expenses:		
Cost of merchandise sold:		
Restaurants and lounges	19,908,000	19,147,000
Package goods	8,760,000	8,579,000
Payroll and related costs	21,712,000	20,668,000
Occupancy costs	4,264,000	4,166,000
Selling, general and administrative expenses	14,538,000	13,818,000
	69,182,000	66,378,000
Income from Operations	3,127,000	3,615,000
Other Income (Expense):		
Interest expense	(615,000)	(483,000)
Interest and other income	367,000	103,000
	(248,000)	(380,000)
Income Before Provision for Income Taxes	2,879,000	3,235,000
Provision for Income Taxes	(598,000)	(757,000)
Net Income	2,281,000	2,478,000

Less: Net Income Attributable to Noncontrolling Interests	(832,000)	(799,000)
Net Income Attributable to Stockholders	$1,449,000	$1,679,000
Net Income Per Common Share:		
Basic and Diluted	$0.78	$0.90
Weighted Average Shares and Equivalent Shares Outstanding:		
Basic and Diluted	1,861,103	1,861,934

See notes to consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED OCTOBER 1, 2011 AND OCTOBER 2, 2010

(rounded to nearest thousandth, except share amounts)

	Common Stock		Capital in Excess of	Retained	Treasury Stock		Noncontrolling	
	Shares	Amount	Par Value	Earnings	Shares	Amount	Interests	Total
Balance, October 3, 2009	4,197,642	$420,000	$6,240,000	$13,777,000	2,334,709	$(6,043,000)	$7,906,000	$22,300,000
Year Ended October 2, 2010:								
Net income	—	—	—	1,679,000	—	—	799,000	2,478,000
Purchase of treasury stock	—	—	—	—	1,018	(6,000)		(6,000)
Distributions to noncontrolling interests	—	—	—	—	—	—	(1,239,000)	(1,239,000)
Purchase of noncontrolling interests	—	—	—	—	—	—	(10,000)	(10,000)
Balance, October 2, 2010	4,197,642	420,000	6,240,000	15,456,000	2,335,727	(6,049,000)	7,456,000	23,523,000
Year Ended October 1, 2011:								
Net income	—	—	—	1,449,000	—	—	832,000	2,281,000
	—	—	—	—	868	(6,000)	—	(6,000)

Purchase of treasury stock								
Distributions to noncontrolling interests	—	—	—	—	—	—	(1,669,000)	(1,669,000)
Purchase of noncontrolling interests	—	—	—	—	—	—	(17,000)	(17,000)
Dividends paid	—	—	—	(188,000)	—	—	—	(188,000)
Balance, October 1, 2011	4,197,642	$420,000	$6,240,000	$16,717,000	2,336,595	$(6,055,000)	$6,602,000	$23,924,000

See notes to consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED
STATEMENTS
OF CASH
FLOWS

YEARS ENDED
OCTOBER 1,
2011 AND
OCTOBER 2,
2010
(rounded to nearest
thousandth)

	2011	2010
Cash Flows from Operating Activities:		
Net income	$2,281,000	$2,478,000
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	2,358,000	2,241,000
Amortization of leasehold interests	212,000	217,000
Loss on abandonment of property and equipment	61,000	62,000
Gain on Sale of Guaranteed Leasehold	(231,000)	—
Deferred income taxes	(42,000)	(52,000)
Deferred rent	(26,000)	(24,000)
Income from unconsolidated limited partnership	(12,000)	(12,000)
Recognition of deferred revenues	(7,000)	(14,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Due from franchisees	2,000	6,000
Other receivables	33,000	(110,000)
Prepaid income taxes	(219,000)	332,000
Inventories	(200,000)	(33,000)
Prepaid expenses	749,000	603,000
Other assets	(387,000)	31,000
Increase (decrease) in:		
Accounts payable and accrued expenses	66,000	851,000
Income taxes payable	(269,000)	269,000
Due to franchisees	(17,000)	277,000
Net cash and cash equivalents provided by operating activities	4,352,000	7,122,000
Cash Flows from Investing Activities:		
Collections on notes and mortgages receivable	8,000	20,000
Purchase of property and equipment	(4,436,000)	(2,974,000)

Deposit on purchase of fixed assets	(36,000)	(28,000)
Proceeds from sale of fixed assets	66,000	22,000
Proceeds from sale of guaranteed leasehold	231,000	—
Distributions from unconsolidated limited partnership	12,000	12,000
Purchase of limited partnership interests	(17,000)	(10,000)
Net cash and cash equivalents used in investing activities	(4,172,000)	(2,958,000)
Cash Flows from Financing Activities:		
Payments of long-term debt	(1,350,000)	(1,075,000)
Proceeds from long-term debt	850,000	23,000
Dividends paid	(188,000)	—
Purchase of treasury stock	(6,000)	(6,000)
Distributions to noncontrolling interests	(1,669,000)	(1,239,000)
Net cash and cash equivalents used in financing activities	(2,363,000)	(2,297,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,183,000)	1,867,000
Cash and Cash Equivalents, Beginning	6,447,000	4,580,000
Cash and Cash Equivalents, Ending	$4,264,000	$6,447,000

See notes to consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED
STATEMENTS
OF CASH
FLOWS

(Continued)

(rounded to nearest
thousandth)

	2011	2010
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$615,000	$483,000
Income taxes	$1,128,000	$206,000
Supplemental Disclosure for Non-Cash Investing and Financing Activities:		
Financing of insurance contracts	$1,082,000	$409,000
Purchase deposits transferred to property and equipment	$28,000	$36,000
Purchase of property in exchange for debt	$—	$1,850,000
Refinanced line of credit to term loan with same lender	$—	$1,586,000
Refinanced mortgage on corporate office with new lender	$—	$913,000
Purchase of assets of franchised restaurant	$—	$262,000
Purchase of vehicles in exchange for debt	$122,000	$46,000

See notes to consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

FOR THE YEARS ENDED OCTOBER 1, 2011 AND OCTOBER 2, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Capitalization

The Company was incorporated in 1959 and operates in South Florida as a chain of full-service restaurants and package liquor stores. Restaurant food and beverage sales make up the majority of our total revenue. At October 1, 2011, we (i) operated 24 units, (excluding the adult entertainment club referenced in (ii) below), consisting of restaurants, package liquor stores and combination restaurants/package liquor stores that we either own or have operational control over and partial ownership in; (ii) own but do not operate one adult entertainment club; and (iii) franchise an additional five units, consisting of one restaurant and four combination restaurants/package liquor stores, (one of which we operate). With the exception of one restaurant we operate under the name "The Whale's Rib", and in which we do not have an ownership interest, all of the restaurants operate under our service mark "Flanigan's Seafood Bar and Grill" and all of the package liquor stores operate under our service mark "Big Daddy's Liquors".

The Company's Articles of Incorporation, as amended, authorize us to issue and have outstanding at any one time 5,000,000 shares of common stock at a par value of $0.10 per share.

We operate under a 52-53 week year ending the Saturday closest to September 30. Our fiscal years 2011 and 2010 are each comprised of a 52-week period.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our subsidiaries, all of which are wholly owned, and the accounts of the eight limited partnerships in which we act as general partner and have controlling interests. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the U.S. We are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the estimated useful lives of tangible assets and the recognition of deferred tax assets and liabilities. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in our consolidated financial statements in the period they are determined to be necessary. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, they may ultimately differ from actual results.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

Inventories

Our inventories, which consist primarily of package liquor products, are stated at the lower of average cost or market.

Liquor Licenses

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, "*Intangibles - Goodwill and Other*", our liquor licenses are indefinite lived assets, which are not being amortized, but are tested annually for impairment (see Note 5).

Property and Equipment

Our property and equipment are stated at cost. We capitalize expenditures for major improvements and depreciation commences when the assets are placed in service. We record depreciation on a straight-line basis over the estimated useful lives of the respective assets. We charge maintenance and repairs, which do not improve or extend the life of

the respective assets, to expense as incurred. When we dispose of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Our estimated useful lives range from three to five years for vehicles, and three to seven years for furniture and equipment. Leasehold improvements are currently being amortized over the shorter of the life of the lease or the life of the asset up to a maximum of 20 years. The building and building improvements of our corporate offices in Fort Lauderdale, Florida; our combination restaurant and package liquor stores in Hallandale, Florida, Hollywood, Florida and North Miami, Florida; and our restaurant in Fort Lauderdale, Florida, all of which we own, are being depreciated over forty years.

Leasehold Interests

Our purchase of an existing restaurant location usually includes a lease to the business premises. As a result, a portion of the purchase price is allocated to the leasehold interest. We capitalize the cost of the leasehold interest and amortization commences upon our assumption of the lease. We amortize leasehold interests on a straight line basis over the remaining term of the lease.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Limited Partnerships

We use the consolidation method of accounting when we have a controlling interest in other companies and limited partnerships. We use the equity method of accounting when we have an interest between twenty to fifty percent in other companies and limited partnerships, but do not exercise control. Under the equity method, our original investments are recorded at cost and are adjusted for our share of undistributed earnings or losses. All significant intercompany profits are eliminated.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are cash and cash equivalents.

Cash and Cash Equivalents

We maintain deposit balances with financial institutions which balances may, from time to time, exceed the federally insured limits. Effective October, 2008 through December 31, 2013, federally insured limits have been increased from $100,000 to $250,000 for interest bearing deposits. In addition, effective December 31, 2010 through December 31, 2012, our financial banking institutions participate in the Temporary Liquidity Guarantee Program, which program provides FDIC coverage on the full balance of non-interest bearing deposits. At October 1, 2011, we have no deposits in excess of federally insured limits. We have not experienced any losses in such accounts.

Major Supplier

Throughout our fiscal years 2011 and 2010, we purchased substantially all of our food products from one major supplier pursuant to a master distribution agreement which entitled us to receive certain purchase discounts, rebates and advertising allowances. We believe that several other alternative vendors are available, if necessary.

Revenue Recognition

We record revenues from normal recurring sales upon the sale of food and beverages and the sale of package liquor products. We report our sales net of sales tax. Continuing royalties, which are a percentage of net sales of franchised stores, are accrued as income when earned.

Pre-opening Costs

Our pre-opening costs are those typically associated with the opening of a new restaurant and generally include payroll costs associated with the “new restaurant openers” (a team of select

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pre-opening Costs (Continued)

employees who travel to new restaurants to ensure that our high standards for quality are met), rent and promotional costs. We expense pre-opening costs as incurred. During our fiscal years 2011 and 2010, we had no limited partnership restaurants under development and therefore no limited partnerships reported losses primarily due to pre-opening costs.

Advertising Costs

Our advertising costs are expensed as incurred. Advertising costs incurred during our fiscal years ended October 1, 2011 and October 2, 2010 were approximately $318,000 and $465,000 respectively.

General Liability Insurance

We have general liability insurance which incorporates a semi-self-insured plan under which we assume the full risk of the first $50,000 of exposure per occurrence, while the limited partnerships assume the full risk of the first $10,000 of exposure per occurrence. Our insurance carrier is responsible for $1,000,000 coverage per occurrence above our self-insured deductible, up to a maximum aggregate of $2,000,000 per year. During our fiscal years ended October 1, 2011 and October 2, 2010, we were able to purchase excess liability insurance at a reasonable premium, whereby our excess insurance carrier is responsible for $6,000,000 coverage above our primary general liability insurance coverage. With the exception of one (1) limited partnership which has higher general liability insurance coverage to comply with the terms of its lease for the business premises, we are un-insured against liability claims in excess of $7,000,000 per occurrence and in the aggregate.

Our general policy is to settle only those legitimate and reasonable claims asserted and to aggressively defend and go to trial, if necessary, on frivolous and unreasonable claims. Under our current liability insurance policy, any expense incurred by us in defending a claim, including adjusters and attorney's fees, are a part of our $50,000 or $10,000, as applicable, self-insured retention.

Fair Value of Financial Instruments

The respective carrying value of certain of our on-balance-sheet financial instruments approximated their fair value. These instruments include cash and cash equivalents, other receivables, accounts payables, accrued expenses and debt. We have assumed carrying values to approximate fair values for those financial instruments, which are short-term in nature or are receivable or payable on demand. We estimated the fair value of debt based on current rates offered to us for debt of comparable maturities and similar collateral requirements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (continued)

In accordance with FASB ASC Topic 820-10-50-1, we utilized a valuation model to determine the fair value of our swap agreements. As the valuation models for the swap agreements were based upon observable inputs, they are classified as Level 2 (see Note 9).

Derivative Instruments

We account for derivative instruments in accordance with FASB ASC Topic 815-10-05-4, "*Accounting for Derivative Instruments and Hedging Activities"* as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. In accordance with FASB ASC Topic 815-10-05-4, derivative instruments are recognized as assets or liabilities in the Company's consolidated balance sheets and are measured at fair value. We recognized all changes in fair value through earnings unless the derivative is determined to be an effective hedge. We currently have no derivatives which have been designated as hedges (See Note 9).

Income Taxes

We account for our income taxes using FASB ASC Topic 740, "*Income Taxes*", which requires the recognition of deferred tax liabilities and assets for expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

We adopted the provisions regarding *Accounting for Uncertainty in Income Taxes,* which require the recognition of a financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. We applied these changes to tax positions for our fiscal years ending October 1, 2011 and October 2, 2010. We had no material unrecognized tax benefits and no adjustments to our financial position, results of operations or cash flows were required. Generally, federal, state and local authorities may examine the Company’s tax returns for three years from the date of filing and the current and prior three years remain subject to examination as of October 1, 2011. We do not expect that unrecognized tax benefits will increase within the next twelve months. We recognize accrued interest and penalties related to uncertain tax positions as income tax expense.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

We follow FASB ASC Topic 718, "*Compensation – Stock Compensation*" to account for stock-based employee compensation, which generally requires, among other things that all employee share-based compensation be measured using a fair value method and that resulting compensation costs be recognized in the consolidated financial statements. We had no unvested stock options as of January 1, 2006 and granted no stock options subsequent thereto, including our fiscal years 2011 and 2010, so there is no compensation expense recorded in our consolidated financial statements for our fiscal years 2011 or 2010.

Long-Lived Assets

We continually evaluate whether events and circumstances have occurred that may warrant revision of the estimated life of our intangible and other long-lived assets or whether the remaining balance of our intangible and other long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that intangible or other long-lived assets should be evaluated for possible impairment, we will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest level for which there are cash flows, at the individual store level.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the presentation of the 2011 consolidated financial statements, which did not have a material impact on our net income or

total assets.

Earnings Per Share

We follow FASB ASC Topic 260 - "*Earnings per Share*." This section provides for the calculation of basic and diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share assumes the exercise of options granted if the weighted average market price exceeds the exercise price. Earnings per share are computed by dividing income available to common stockholders by the basic and diluted weighted average number of common shares.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted and Recently Issued Accounting Pronouncements

Adopted

In June 2009, the FASB issued changes to the accounting for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. In addition, these changes require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity and enhanced disclosures related to an enterprise's involvement in a variable interest entity. These changes became effective for annual periods beginning after November 15, 2009, were adopted by us in the first quarter of our fiscal year 2011 and did not have a material impact on our consolidated financial statements.

Issued

In May 2011, the FASB issued an update to ASC Topic 820 - *Fair Value Measurements and Disclosures*. This update provides guidance on how fair value accounting should be applied where its use is already required or permitted by other standards and does not extend the use of fair value accounting. The Company will adopt this guidance effective in fiscal year 2013 as required and does not expect the adoption to have a significant impact on our consolidated financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

	2011	2010
Furniture and equipment	$10,004,000	$9,987,000
Leasehold improvements	18,035,000	16,704,000

Land and land improvements	8,260,000	7,109,000
Building and improvements	8,049,000	7,218,000
Vehicles	726,000	690,000
	45,074,000	41,708,000
Less accumulated depreciation and amortization	18,892,000	17,713,000
	$26,182,000	$23,995,000

Depreciation and amortization expense for the fiscal years ended October 1, 2011 and October 2, 2010 was approximately $2,358,000 and $2,241,000, respectively.

NOTE 3. LEASEHOLD INTERESTS

	2011	2010
Leasehold interests, at cost	$2,929,000	$2,928,000
Less accumulated amortization	1,696,000	1,483,000
	$1,233,000	$1,445,000

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 3. LEASEHOLD INTERESTS (Continued)

Future leasehold amortization as of October 1, 2011 is as follows:

2012	$147,000
2013	127,000
2014	127,000
2015	121,000
2016	115,000
Thereafter	596,000
Total	$1,233,000

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS

We have invested with others, (some of whom are or are affiliated with our officers and directors), in nine limited partnerships which own and operate nine South Florida based restaurants under our service mark "Flanigan's Seafood Bar and Grill". During the fourth quarter of our fiscal year 2011, we purchased from our limited partnership, the operating assets of the restaurant located at 950 S. Federal Highway, Stuart, Martin County, Florida and on July 30, 2011 this restaurant began operating as a Company-owned restaurant. In addition to being a limited partner in these limited partnerships, we are the sole general partner of all of these limited partnerships and manage and control the operations of the restaurants except for the restaurant located in Fort Lauderdale, Florida where we only hold a limited partnership interest.

Generally, the terms of the limited partnership agreements provide that until the investors' cash investment in a limited partnership (including any cash invested by us) is returned in full, the limited partnership distributes to the investors annually out of available cash from the operation of the restaurant, as a return of capital, up to 25% of the cash invested in the limited partnership, with no management fee paid to us. Any available cash in excess of the 25% of the cash invested in the limited partnership distributed to the investors annually, is paid one-half (½) to us as a

management fee and one-half (1/2) to the investors, (including us), prorata based upon the investors' investment, as a return of capital. Once all of the investors, (including us), have received, in full, amounts equal to their cash invested, an annual management fee becomes payable to us equal to one-half (½) of cash available to be distributed, with the other one half (½) of available cash distributed to the investors (including us), as a profit distribution, pro-rata based upon the investors' investment.

As of October 1, 2011, limited partnerships owning three (3) restaurants, (Surfside, Florida, Kendall, Florida and West Miami, Florida locations), have returned all cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. In addition to our receipt of distributable amounts from the limited partnerships, we receive a fee equal to 3% of gross sales for use of our "Flanigan's Seafood Bar and Grill" service mark, which use is authorized only while we act as general partner. This 3% fee is "earned" when sales are made by the limited partnerships and is paid weekly, in arrears. Although we have no restaurants under development and whether we will have

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

any under development in the future will be dependent, among other things, on market conditions and our ability to raise capital, we anticipate that we will continue to form limited partnerships to raise funds to own and operate restaurants under our service mark "Flanigan's Seafood Bar and Grill" using the same or substantially similar financial arrangement.

Surfside, Florida

We are the sole general partner and a 45% limited partner in this limited partnership which has owned and operated a restaurant in Surfside, Florida under our "Flanigan's Seafood Bar and Grill" service mark since March 6, 1998. 34.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Kendall, Florida

We are the sole general partner and a 41% limited partner in this limited partnership which has owned and operated a restaurant in Kendall, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 4, 2000. 29.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

West Miami, Florida

We are the sole general partner and a 27% limited partner in this limited partnership which has owned and operated a restaurant in West Miami, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 11, 2001. 34.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. This limited partnership has returned to its investors all of their initial cash invested and we receive an annual management fee equal to one-half (½) of the cash available for distribution by the limited partnership. This entity is consolidated in the accompanying financial statements.

Weston, Florida

We are the sole general partner and a 30% limited partner in this limited partnership which has owned and operated a restaurant in Weston, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since January 20, 2003. 35.1% of the remaining limited partnership

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Weston, Florida (Continued)

interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 81.25% of their initial cash invested, increased from approximately 73.75% as of our fiscal year ended 2010. This entity is consolidated in the accompanying financial statements.

Wellington, Florida

We are the sole general partner and a 28% limited partner in this limited partnership which has owned and operated a restaurant in Wellington, Florida under our "Flanigan's Seafood Bar and Grill" service mark since May 27, 2005. 25.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 52% of their initial cash invested, increased from approximately 47% as of the end of our fiscal year 2010. This en tity is consolidated in the accompanying financial statements.

Pinecrest, Florida

We are the sole general partner and 40% limited partner in this limited partnership which has owned and operated a restaurant in Pinecrest, Florida under our "Flanigan's Seafood Bar and Grill" service mark since August 14, 2006. 15.0% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 65% of their initial cash invested, increased from approximately 50% as of the end of our fiscal year 2010. This entity

is consolidated in the accompanying financial statements.

Pembroke Pines, Florida

We are the sole general partner and a 18% limited partner in this limited partnership which has owned and operated a restaurant in Pembroke Pines, Florida under our “Flanigan’s Seafood Bar and Grill” service mark since October 29, 2007. 17.9% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 32.0% of their initial cash invested, increased from approximately 18.5% as of the end of our fiscal year 2010. This entity is consolidated in the accompanying financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 4. INVESTMENTS IN LIMITED PARTNERSHIPS (Continued)

Davie, Florida

We are the sole general partner and a 48% limited partner in this limited partnership which has owned and operated a restaurant in Davie, Florida under our "Flanigan's Seafood Bar and Grill" service mark since July 28, 2008. 9.7% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. As of the end of our fiscal year 2011, this limited partnership has returned to its investors approximately 19.5% of their initial cash invested, increased from approximately 13.5% as of the end of our fiscal year 2010. This entity is consolidated in the accompanying financial statements.

Fort Lauderdale, Florida

A corporation, owned by one of our directors, acts as sole general partner of a limited partnership which has owned and operated a restaurant in Fort Lauderdale, Florida under our "Flanigan's Seafood Bar and Grill" service mark since April 1, 1997. We have a 25% limited partnership interest in this limited partnership. 60.1% of the remaining limited partnership interest is owned by persons who are either our officers, directors or their family members. We have a franchise arrangement with this limited partnership. For accounting purposes, we do not consolidate the operations of this limited partnership into our operations. This entity is reported using the equity method in the accompanying consolidated financial statements. The following is a summary of condensed unaudited financial information pertaining to our limited partnership investment in Fort Lauderdale, Florida:

Financial Position:	2011	2010
Current assets	$150,000	$130,000
Non-current assets	452,000	446,000
Current liabilities	152,000	120,000
Non-current liabilities	—	9,000
Operating Results:		
Revenues	2,401,000	2,347,000
Gross profit	1,605,000	1,558,000
Net income (loss)	(50,000)	48,000

NOTE 5. LIQUOR LICENSES

Liquor licenses, which are indefinite lived assets, are tested for impairment in September of each of our fiscal years. The fair value of liquor licenses at October 1, 2011, exceeded the carrying amount; therefore, we recognized no impairment loss. The fair value of the liquor licenses was evaluated by comparing the carrying value to recent sales for similar liquor

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 5. LIQUOR LICENSES (Contnued)

licenses in the County issued. At October 1, 2011 and October 2, 2010, the total carrying amount of our liquor licenses was $470,000. We acquired no liquor licenses in our fiscal year 2011.

NOTE 6. INCOME TAXES

The components of our provision for income taxes for our fiscal years 2011 and 2010 are as follows:

	2011	2010
Current:		
Federal	$502,000	$625,000
State	138,000	183,000
	640,000	808,000
Deferred:		
Federal	(36,000)	(29,000)
State	(6,000)	(22,000)
	(42,000)	(51,000)
	$598,000	$757,000

A reconciliation of income tax computed at the statutory federal rate to income tax expense is as follows:

	2011	2010
Tax provision at the statutory rate of 34%	$617,000	$823,000

State income taxes, net of federal income tax	85,000	102,000
Deferred tax benefit of tip credit generated	(200,000)	(200,000)
Tax effect of consolidation elimination entry	76,000	5,000
Other	20,000	27,000
	$598,000	$757,000

We have deferred tax assets which arise primarily due to depreciation recorded at different rates for tax and book purposes offset by cost basis differences in depreciable assets due to the deferral of the recognition of insurance recoveries on casualty losses for tax purposes, investments in and management fees paid by limited partnerships, accruals for potential uninsured claims, bonuses accrued for book purposes but not paid within two and a half months for tax purposes, the capitalization of certain inventory costs for tax purposes not recognized for financial reporting purposes, the recognition of revenue from gift cards not redeemed within twelve months of issuance, allowances for uncollectable receivables, unfunded limited retirement commitments and tax credit carryforwards generated as a result of the application of alternative minimum taxes.

The components of our deferred tax assets at October 1, 2011 and October 2, 2010 were as follows:

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 6. INCOME TAXES (Continued)

	2011	2010
Current:		
Reversal of aged payables	$27,000	$27,000
Capitalized inventory costs	22,000	20,000
Accrued bonuses	164,000	165,000
Accruals for potential uninsured claims	19,000	21,000
Gift cards	48,000	33,000
JV management fees	74,000	(12,000)
Allowance for account receivable for consolidated affiliate	—	87,000
	$354,000	$341,000
Long-Term:		
Book/tax differences in property and equipment	$459,000	$434,000
Limited partnership investments	418,000	418,000
Accrued limited retirement	31,000	27,000
	$908,000	$879,000

NOTE 7. DEBT

Long-Term Debt

	2011	2010
Mortgage payable to bank, secured by a first mortgage on real property and improvements, bearing interest at 7.5%; payable in monthly installments of principal and interest of $28,600, maturing in October, 2013	$3,070,000	$3,175,000
Term loan payable to lender, secured by a blanket lien on all Company assets and a second mortgage on a building, bearing interest at BBA LIBOR +3.25%, (3.48% at October 1, 2011), but fixed at 4.55%, pursuant to a swap agreement, payable in monthly installments of principal and interest of approximately $50,000, fully amortized over 36 months, with the final payment due August, 2013	1,038,000	1,544,000

Mortgage payable to a related third party, secured by first mortgage on a real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $10,800, with a balloon payment of approximately $658,000 due in September, 2018	972,000	1,000,000

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Conintued)

Mortgage payable to bank, secured by a first mortgage on real property and improvements, bearing interest at BBA LIBOR +2.25%, (2.48% at October 1, 2011), but fixed at 5.11% pursuant to a swap agreement, amortized over 20 years, payable in monthly installments of principal and interest of approximately $4,600, with a balloon payment of approximately $720,000 due in August, 2017	907,000	934,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 8½ %, amortized over 15 years, payable in monthly installments of principal and interest of approximately $8,400, with a balloon payment of approximately $528,000 in November, 2017	794,000	826,000
Mortgage payable, secured by first mortgage on real property and improvements, bearing interest at 10.0%; amortized over 30 years, payable in monthly installments of principal and interest of approximately $4,000, with a balloon payment of approximately $413,000 in May, 2017	437,000	441,000
Financed insurance premiums, secured by all insurance policies, bearing interest between 2.99% and 4.89%, payable in monthly installments of principal and interest in the aggregate amount of $64,000 a month through September 1, 2011 and $24,000 a month through June 1, 2013	573,000	79,000
Mortgage payable to unrelated third party, secured by first mortgage on real property and improvements, bearing interest at 10%, amortized over 15 years, payable in monthly installments of principal and interest of approximately $9,100, with a balloon payment of approximately $555,000 due at January 2019	833,000	—
Other	133,000	54,000
	8,757,000	8,053,000
Less current portion	1,151,000	815,000
	$7,606,000	$7,238,000

Long-term debt at October 1, 2011 matures as follows:

2012	1,151,000

2013	1,058,000
2014	3,005,000
2015	177,000
2016	182,000
Thereafter	3,184,000
	$8,757,000

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Legal Matters

We own the building where our corporate offices are located. On April 16, 2001, we filed suit against the owner of the adjacent shopping center to determine our right to non-exclusive parking in the shopping center. During fiscal year 2007, the appellate court affirmed and upon re-hearing, again affirmed the granting of a summary judgment in favor of the shopping center. The seller from whom we purchased the building was named as a defendant in the lawsuit by the owner of the adjacent shopping center and we filed and served a cross-complaint against the seller. During the fourth quarter of our fiscal year 2009, the seller was awarded reimbursement of its attorneys' fees and costs in the amount of $109,000 and during the second quarter of our fiscal year 2010, the trial court denied our motion for re-consideration of a portion of the award. During the third quarter of our fiscal year 2010, we paid the award of attorneys' fees and costs. During the second quarter of our fiscal year 2009, the seller filed suit against us for malicious prosecution. During the second quarter of our fiscal year 2010, the court denied the seller's motion for punitive damages. During the fourth quarter of our fiscal year 2011, we settled the suit with a payment of $2,500.

We are a party to various claims, legal actions and complaints arising in the ordinary course of our business. It is our opinion that all such matters are without merit or involve such amounts that an unfavorable disposition would not have a material adverse effect on our financial position or results of operations.

Leases

We lease a substantial portion of the land and buildings used in our operations under leases with initial terms expiring between 2011 and 2049. Renewal options are available on many of our leases. Most of our leases are fixed rent agreements. For one Company-owned restaurant/package liquor store combination unit, lease rental is subject to sales overrides ranging from 3% to 4% of annual sales in excess of established amounts. For five limited partnership restaurants, lease rentals are subject to sales overrides ranging from 2% to 5.5% of annual sales in excess of the base rent paid. We recognize rent expense on a straight line basis over the term of the lease and percentage rent as incurred.

We have a ground lease for an out parcel in Hollywood, Florida where we constructed a 4,120 square foot stand-alone building, one-half (1/2) of which is used by us for the operation of our Company-owned package liquor store and the other one-half (1/2) of which is subleased to an unrelated third party as retail space. Rent for the retail space commenced January 1, 2005, and we generated approximately $57,000 and $50,000 of revenue from this source during our fiscal years ended October 1, 2011 and October 2, 2010, respectively. Total future minimum sublease payments under the non-cancelable sublease are $185,000, including Florida sales tax (currently 6%).

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Leases (Continued)

Future minimum lease payments, including Florida sales tax (currently 6% to 7%) under our non-cancelable operating leases as of October 1, 2011 are as follows:

2012	$2,521,000
2013	2,364,000
2014	2,277,000
2015	2,009,000
2016	1,638,000
Thereafter	5,175,000
Total	$15,984,000

Total rent expense for all of our operating leases was approximately $2,980,000 and $2,924,000 in our fiscal years 2011 and 2010, respectively, and is included in "Occupancy costs" in our accompanying consolidated statements of income. This total rent expense is comprised of the following:

	2011	2010
Minimum Base Rent	$2,537,000	$2,511,000
Contingent Percentage Rent	443,000	413,000
Total	$2,980,000	$2,924,000

During the first quarter of our fiscal year 2011, the limited partnership which owns the restaurant located in Surfside, Florida (Store #60) extended its lease for ten years or until December 31, 2021. The renewal terms are substantially the same as the existing lease, except that the annual rent was subject to an increase January 1, 2011 and will

thereafter be subject to fixed annual increases.

We guarantee various leases for franchisees and stores sold in prior years. During the second quarter of our fiscal year 2011, we sold our interest, as guarantor, of a nine (9) year leasehold interest in premises we do not currently use in our operations to an unrelated third party. The lease for this location was terminated, thereby also terminating our guaranty of the leasehold interest. Remaining rental payments required under these leases total approximately $318,000.

We account for such lease guarantees in accordance with FASB ASC Topic 460, "*Guarantees*". Under that standard, we would be required to recognize the fair value of guarantees issued or modified after December 31, 2002, for non-contingent guarantee obligations, and also a liability for contingent guarantee obligations based on the probability that the guaranteed party will not perform under the contractual terms of the guaranty agreement.

We do not believe it is probable that we will be required to perform under the remaining lease guarantees and therefore, no liability has been accrued in our consolidated financial statements.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Purchase Commitments

In order to fix the cost and ensure adequate supply of baby back ribs for our restaurants during calendar year 2011, on November 30, 2010, we entered into a purchase agreement with a new rib supplier, whereby we agreed to purchase approximately $3,100,000 of baby back ribs from this vendor at a fixed cost. Pursuant to the terms of our purchase agreement, we opted to purchase the maximum supply of baby back ribs available to take advantage of the more favorable pricing, which supply we estimate will last through February, 2012. As of October 1, 2011, we still owed approximately $1,200,000 under our purchase agreement.

Effective October 31, 2011, we entered into another purchase agreement with a new rib supplier. The terms of the agreement stipulate that we will purchase approximately $3,100,000 of baby back ribs during the 2012 calendar year, commencing March 1, 2012, from this vendor at a fixed cost. We contract for the purchase of baby back ribs on an annual basis to fix the cost and ensure adequate supply for the calendar year. We anticipate purchasing all of our rib supply from this vendor, but we believe that several other alternative vendors are available, if necessary.

Franchise Program

At October 1, 2011 and October 2, 2010, we were the franchisor of five units under franchise agreements. Of the five franchised stores, four are combination restaurant/package liquor stores and one is a restaurant. Three franchised stores are owned and operated by related parties. Under the franchise agreements, we provide guidance, advice and management assistance to the franchisees. In addition and for an additional annual fee of approximately $25,000, we also act as fiscal agent for the franchisees whereby we collect all revenues and pay all expenses and distributions. We also, from time to time, advance funds on behalf of the franchisees for the cost of renovations. The resulting amounts receivable from and payable to these franchisees are reflected in the accompanying consolidated balance sheet as

either an asset or a liability. We also agree to sponsor and manage cooperative buying groups on behalf of the franchisees for the purchase of inventory. The franchise agreements provide for royalties to us of approximately 3% of gross restaurant sales and 1% of gross package liquor sales. We are not currently offering or accepting new franchises.

Employment Agreement/Bonuses

As of October 1, 2011 and October 2, 2010, we had no employment agreements.

Our Board of Directors approved an annual performance bonus, with 14% of the corporate pre-tax net income, plus or minus non-recurring items, but before depreciation and

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Employment Agreement/Bonuses (Continued)

amortization in excess of $650,000 paid to the Chief Executive Officer and 6% paid to other members of management. Bonuses for our fiscal years 2011 and 2010 amounted to approximately $647,000 and $700,000, respectively.

Our Board of Directors also approved an annual performance bonus, with 5% of the pre-tax net income before depreciation and amortization from our restaurants in excess of $1,875,000 and our share of the pre-tax net income before depreciation and amortization from the restaurants owned by the limited partnerships paid to the Chief Operating Officer and 5% paid to the Chief Financial Officer. Bonuses for our fiscal years 2011 and 2010 amounted to approximately $392,000 and $396,000, respectively.

Our Board of Directors approved an annual performance bonus, with 3% of the pre-tax net income before depreciation and amortization from the package liquor stores paid to the Vice President of Package Operations. Bonuses for our fiscal years 2011 and 2010 amounted to approximately $37,000 and $38,000, respectively.

Management Agreements

Atlanta, Georgia

We own, but do not operate, an adult entertainment nightclub located in Atlanta, Georgia which operates under the name “Mardi Gras”. We have a management agreement with an unaffiliated third party to manage the club. Under our management agreement, the unaffiliated third party management firm is obligated to pay us an annual amount, paid monthly, equal to the greater of $150,000 or ten (10%) percent of gross sales from the club, offset by one-half (1/2) of any rental increases, provided our fees will never be less than $150,000 per year. For our fiscal years ended October 1, 2011 and October 2, 2010, we generated $161,000 and $165,000 of revenue, respectively, from the operation of the club.

Deerfield Beach, Florida

Since January 2006, we have managed “The Whale’s Rib”, a casual dining restaurant located in Deerfield Beach, Florida, pursuant to a management agreement. We paid $500,000 in exchange for our rights to manage this restaurant. The management agreement is being amortized on a straight line basis over the life of the initial term of the agreement, ten (10) years. As of October 1, 2011 and October 2, 2010, the balance of our management agreement of $212,000 and $262,000 was included in other assets in the accompanying consolidated balance sheet. The restaurant is owned by a third party unaffiliated with us. In exchange for providing management, bookkeeping and related services, we receive one-half (½) of the net profit, if any, from the operation of the restaurant. During the third quarter of our fiscal year 2011, the term of the management agreement was extended through January 9, 2036. As a part of the consideration for the extension of the management agreement, we agreed to eliminate our right to terminate the management agreement upon thirty (30) days written notice, with or without cause, but retained the right to terminate in the event our outstanding funded operating losses exceeded $100,000 cumulatively, at any time during the term of the management agreement. For our fiscal years ended October 1, 2011 and October 2, 2010, we generated $250,000 and $263,000 of revenue, respectively, from

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS (Continued)

Management Agreements (Continued)

Deerfield Beach, Florida (Continued)

providing these management services. As of October 1, 2011, we have generated revenue in excess of the purchase price of the management agreement.

NOTE 9. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

As of October 1, 2011, we have fully adopted FASB ASC Topic 820, "*Fair Value Measurements and Disclosures*", for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on at least an annual basis. Topic 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of non-performance. Topic 820 establishes a fair market hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Topic 820 establishes three levels of inputs that may be used to measure fair value:

•Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.

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Level 2 Inputs -- Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to evaluation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.

- Level 3 Inputs -- One or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 9. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Interest Rate Swap Agreements

At October 1, 2011, we had two variable rate debt instruments (the Term Loan and the Refinanced Mortgage Loan) outstanding that are impacted by changes in interest rates. As a means of managing our interest rate risk on these debt instruments, we entered into interest rate swap agreements with third party financial institutions to effectively convert certain variable rate debt obligations to fixed rates. We are currently party to the following two (2) interest rate swap agreements:

(i) One (1) interest rate swap agreement entered into in July, 2010 relates to the Term Loan, (the "Term Loan Swap"). The Term Loan Swap requires us to pay interest for a three (3) year period at a fixed rate of 4.55% on an initial amortizing notional principal amount of $1,586,000, while receiving interest for the same period at the British Bankers Association LIBOR ("LIBOR"), Daily Floating Rate, plus 3.25%, on the same amortizing notional principal amount. Under this method of accounting, at October 1, 2011, we determined the fair value of the Term Loan Swap based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender (Level 2 Input). The fair value of the Term Loan Swap was not significant at year end; and

(ii) The second interest rate swap agreement entered into in July, 2010 relates to the Refinanced Mortgage Loan (the "Mortgage Loan Swap"). The Mortgage Loan Swap requires us to pay interest for a seven (7) year period at a fixed rate of 5.11% on an initial amortizing notional principal amount of $935,000, while receiving interest for the same period at LIBOR, Daily Floating Rate, plus 2.25%, on the same amortizing notional principal amount. Under this method of accounting, at October 1, 2011, we determined the fair value of the Mortgage Loan Swap based upon unadjusted quoted prices in active markets for similar assets or liabilities provided by our unrelated third party lender (Level 2 Input). The fair value of the Mortgage Loan Swap was not significant at year end.

NOTE 10. COMMON STOCK

Treasury Stock

Purchase of Common Shares

Pursuant to a discretionary plan approved by the Board of Directors, during our fiscal year 2011, we purchased 868 shares of our common stock for an aggregate purchase price of $6,000. Of the shares purchased, we purchased 800 shares of our common stock from the Joseph G. Flanigan Charitable Trust for $6,000, 18 shares of our common stock were purchased in a private transaction for $100 and 50 shares of our

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

NOTE 10. COMMON STOCK (Continued)

Treasury Stock (Continued)

Purchase of Common Shares (Continued)

common stock from an employee for $400 in an off market transaction, which reflected an actual per share purchase price which was equal to the average per share market price on the date of purchase. During our fiscal year 2010, we purchased 1,018 shares of our common stock for an aggregate purchase price of $6,000. Of the shares purchased, we purchased 1,000 shares of our common stock from the Joseph G. Flanigan Charitable Trust for $6,000 and 18 shares of our common stock were purchased on the open market.

Sale of Common Shares

During our fiscal years 2011 and 2010, we did not sell any shares of our common stock.

Stock Options

We granted no options during our fiscal years 2011 and 2010. We have no options outstanding at October 1, 2011.

NOTE 11. BUSINESS SEGMENTS

We operate principally in two reportable segments – package stores and restaurants. The operation of package stores consists of retail liquor sales and related items. Information concerning the revenues and operating income for our fiscal years ended 2011 and 2010, and identifiable assets for the two reportable segments in which we operate, 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 our operations in each segment. Corporate assets are principally cash and real property, improvements, furniture, equipment and vehicles used at our corporate headquarters. We do not have any operations outside of the United States and transactions between restaurants and package liquor stores are not material.

Operating Revenues:	2011	2010
Restaurants	$57,765,000	$55,717,000
Package stores	13,141,000	12,898,000
Other revenues	1,403,000	1,378,000
Total operating revenues	$72,309,000	$69,993,000

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

notes to CONSOLIDATED financial statements

(Continued)

Income from Operations Reconciled to Income before Income Taxes and Net Income Attributable to Noncontrolling Interests		
Restaurants	$4,245,000	$4,620,000
Package stores	1,006,000	1,068,000
	5,251,000	5,688,000
Corporate expenses, net of other revenues	(2,124,000)	(2,073,000)
Income from Operations	3,127,000	3,615,000
Other Income	231,000	—
Net Income Attributable to Noncontrolling Interests	(832,000)	(799,000)
Interest expense, net of interest income	(479,000)	(380,000)
Income Before Income Taxes	$2,047,000	$2,436,000

Identifiable Assets:		
Restaurants	$22,543,000	$22,043,000
Package store	4,045,000	3,678,000
	26,588,000	25,721,000
Corporate	11,578,000	11,593,000
Consolidated Totals	$38,166,000	$37,314,000
Capital Expenditures:		
Restaurants	$3,563,000	$3,957,000
Package stores	577,000	940,000
	4,140,000	4,897,000
Corporate	446,000	108,000
Total Capital Expenditures	$4,586,000	$5,005,000
Depreciation and Amortization:		
Restaurants	$1,985,000	$1,911,000
Package stores	228,000	215,000
	2,213,000	2,126,000

Corporate	357,000	332,000
Total Depreciation and Amortization	$2,570,000	$2,458,000

NOTE 12. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of our unaudited quarterly results of operations for the quarters in our fiscal years 2011 and 2010.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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	Quarter Ended			
	January 1, 2011	April 2, 2011	July 2, 2011	October 1, 2011
Revenues	$17,788,000	$19,164,000	$18,120,000	$17,237,000
Income from operations	668,000	1,207,000	822,000	430,000
Net income attributable to stockholders	350,000	735,000	345,000	19,000
Net income per share – Basic	0.19	0.39	0.19	0.01
Net income per share – Diluted	0.19	0.39	0.19	0.01
Weighted average common stock outstanding – basic	1,861,699	1,860,912	1,860,907	1,860,616
Weighted average common stock outstanding – diluted	1,861,699	1,860,912	1,860,907	1,860,616

	Quarter Ended			
	January 2, 2010	April 3, 2010	July 3, 2010	October 2, 2010
Revenues	$17,164,000	$18,938,000	$17,374,000	$16,517,000
Income from operations	591,000	1,515,000	1,034,000	475,000
Net income attributable to stockholders	288,000	670,000	426,000	295,000
Net income per share – Basic	0.15	0.36	0.23	0.16
Net income per share – Diluted	0.15	0.36	0.23	0.16
Weighted average common stock outstanding – basic	1,862,534	1,861,743	1,861,735	1,861,725
Weighted average common stock outstanding – diluted	1,862,534	1,861,743	1,861,735	1,861,725

Quarterly operating results are not necessarily representative of our operations for a full year for various reasons including the seasonal nature of both the restaurant and package store segments.

NOTE 13. 401(k) PLAN

Effective July 2004, we began sponsoring a 401(k) retirement plan covering substantially all employees who meet certain eligibility requirements. Employees may contribute elective deferrals to the plan up to amounts allowed under the Internal Revenue Code. We are not required to contribute to the plan but may make discretionary profit sharing and matching contributions. During our fiscal years 2011 and 2010, we made discretionary contributions of $24,000 and $21,000, respectively.

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FLANIGAN'S ENTERPRISES, INC. AND SUBSIDIARIES

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(Continued)

NOTE 14. SUBSEQUENT EVENTS

(a) Purchase of Real Property, (Kendall, FL.):

During the fourth quarter of our fiscal year 2011 we contracted for the purchase of a two building shopping center in Miami, Florida, which consists of one building which is leased to twelve unaffiliated third parties and a second stand-alone building where our limited partnership owned restaurant located at 12790 SW 88th Street, Miami, Florida,(Store #70), operates. Subsequent to the end of our fiscal year 2011, we assigned all of our rights under the contract to a new wholly owned subsidiary, (Flanigan's Calusa Center, LLC, a Florida limited liability company), and closed on the purchase. We paid $6,140,000 for this property, $4,500,000 of which we borrowed from a non-affiliated third party lender, pursuant to a first mortgage, (the "$4.5M Mortgage Loan"), which we guaranteed. The $4.5M Mortgage Loan is in the original principal amount of $4,500,000 and bears interest at a variable rate equal to the BBA LIBOR Rate (Adjusted Periodically) plus 2.25%. We entered into an interest rate swap agreement to hedge the interest rate risk as to $3,750,000 of the principal amount, (the "$3.75M Hedged Amount"), which fixed the interest rate as to that portion of the principal amount of the $4.5M Mortgage Loan at 4.51% per annum throughout the term of the loan. The $4.5M Mortgage Loan is amortized over twenty (20) years, with our current monthly payment of principal and interest as to the $3.75M Hedged Amount, each in the amount of $23,700 and with our current monthly payment of principal and interest as to that portion of the principal amount not fixed by the interest rate swap agreement, ($750,000), payable at a variable interest rate, (2.49% as of November 30, 2011). The entire principal balance and all accrued but unpaid interest is due on December 1, 2019.

(b) Term Loan:

Subsequent to the end of our fiscal year 2011, we borrowed $1,600,000 from a non affiliated third party lender, (the "$1.6M Term Loan"), as the cash to close on our purchase of the real property and buildings where our limited partnership restaurant at 12790 SW 88th Street, Miami, Florida (Store #70) is located and to insure that we have adequate working capital and cash reserves. The $1.6M Term Loan is in the principal amount of $1,600,000 and bears interest at a variable interest rate equal to the BBA LIBOR Rate (Adjusted Periodically) plus 2.25%. We entered into

an interest rate swap agreement to hedge the interest rate risk, which fixed the interest rate on the term loan at 3.43% per annum throughout the term of the loan. The $1.6M Term Loan is payable interest only for three (3) months and then is fully amortized over forty five (45) months, with our monthly payment of principal and interest, totaling $38,000. We granted our lender a security interest in substantially all of our assets as collateral to secure our repayment obligations under our term loan.

Subsequent events have been evaluated through the date these consolidated financial statements were issued. No events, other than the events described above, required disclosure.