Ark Restaurants Corp.

2014 ANNUAL REPORT

The Company

We are a New York corporation formed in 1983. As of the fiscal year ended September 27, 2014, we owned and/or operated 20 restaurants and bars, 21 fast food concepts and catering operations through our subsidiaries. Initially our facilities were located only in New York City. As of the fiscal year ended September 27, 2014, five of our restaurant and bar facilities are located in New York City, three are located in Washington, D.C., six are located in Las Vegas, Nevada, three are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut, one is located in the Faneuil Hall Marketplace in Boston, Massachusetts and one is located in Dania Beach, Florida.

In addition to the shift from a Manhattan-based operation to a multi-city operation, the nature of the facilities operated by us has shifted from smaller, neighborhood restaurants to larger, destination properties intended to benefit from high patron traffic attributable to the uniqueness of the location. Most of our properties which have been opened in recent years are of the latter description. As of the fiscal year ended September 27, 2014, these include the operations at the 12 fast food facilities in Tampa, Florida and Hollywood, Florida, respectively (2004); the Gallagher's Steakhouse and Gallagher's Burger Bar in the Resorts Atlantic City Hotel and Casino in Atlantic City, New Jersey (2005); The Grill at Two Trees at the Foxwoods Resort Casino in Ledyard, Connecticut (2006); Durgin Park Restaurant and the Black Horse Tavern in the Faneuil Hall Marketplace in Boston, Massachusetts (2007); Yolos at the Planet Hollywood Resort and Casino in Las Vegas, Nevada (2007); Robert at the Museum of Arts & Design at Columbus Circle in Manhattan (2009); Broadway Burger Bar and Grill at the New York New York Hotel and Casino in Las Vegas, Nevada (2011); Clyde Frazier's Wine and Dine in Manhattan (2012); Broadway Burger Bar and Grill in the Quarter at the Tropicana Hotel and Casino in Atlantic City, New Jersey (2013) and The Rustic Inn in Dania Beach, Florida (2014).

The names and themes of each of our restaurants are different except for our two Gallagher's Steakhouse restaurants and two Broadway Burger Bar and Grill restaurants. The menus in our restaurants are extensive, offering a wide variety of high-quality foods at generally moderate prices. The atmosphere at many of the restaurants is lively and extremely casual. Most of the restaurants have separate bar areas, are open seven days a week and most serve lunch as well as dinner. A majority of our net sales are derived from dinner as opposed to lunch service.

While decor differs from restaurant to restaurant, interiors are marked by distinctive architectural and design elements which often incorporate dramatic interior open spaces and extensive glass exteriors. The wall treatments, lighting and decorations are typically vivid, unusual and, in some cases, highly theatrical.

We will provide, without charge, a copy of our Annual Report on Form 10-K for the fiscal year ended September 27, 2014, including financial statements, exhibits and schedules thereto, to each of our shareholders of record on February 17, 2015 and each beneficial holder on that date, upon receipt of a written request therefore mailed to our offices, 85 Fifth Avenue, New York, NY 10003 Attention: Treasurer.

February 25, 2015

Dear Shareholders:

As you know from our quarterly reporting and the enclosed financials the 2014 fiscal year was a solid year for the Company. It was also a year that was a turning point in the way we addressed expansion of your business. I thought I would use the opportunity of this year's letter for some history; how the Company has evolved, our perspective on this business of ours and how we can best guide our future.

We started our Company as a group of small restaurants gathered locally on the upper west side of Manhattan. These were quite successful, but because of their proximity they were each branded distinctively. We thought the core of our success was in our design, forward looking menus, price point, quality of product and perceived value. Each of the first six restaurants had less than 125 seats. Prior to our public offering in December 1984 we had significant success with two 350 seat restaurants in Manhattan creating new trade names, décor and menus for each. Again, we thought the design and value to quality formula we established was the driver to outsized profits. Full of confidence we immediately set about to apply our skills to suburban New Jersey. We were a total failure in three locations. We quickly learned that our formula which did not require a brand to be successful in Manhattan was not a formula that could guarantee success in a suburban market in the 1980's. We shifted our approach for expansion with our eye on "Triple A" locations that could be leased at reasonable values. We thought great locations with distinctive restaurants would garner superior revenues and in the long term outperform brands. We also understood from our earlier successes that it would be necessary to build out large operations because smaller restaurants would not generate sufficient cash flow to create increased shareholder equity. Also larger restaurants can derive significant revenue from corporate and sponsored events, tourism and travel groups and other ancillary lines of business. Smaller restaurants are unlikely to have these opportunities. This thinking led us to open in the 1990's a complex of restaurants in Union Station and the 1000 seat Sequoia in Washington D.C., the 1000 seat Bryant Park Grill and Café in Manhattan and a complex of food service operations at New York New York Hotel and Casino in Las Vegas. These and other expansion endeavors were successes but there were some failures as well. Overall, and despite some significant write offs of the assets of failures, the overall return on shareholder equity was satisfactory given our conservative inclinations. Your company does not guarantee any leases of restaurant subsidiaries and since September 11, 2001 we have been a reluctant borrower. Our long term debt at 2014 fiscal year end was $7,318,000.

Some of our reasoning regarding brands is subject to questioning. Cheesecake Factory and others have proven that branding can secure significant unit level revenues across a wide geography of locations. Quality brands do matter and may be successful where non branded restaurants face difficulty. We are both the poster child and proof that when you are wrong on a large footprint working capital losses are difficult to digest and there is likely no buyer for the asset. More important to our business beyond the merits of branding is the problem at the end of term for leases of restaurants that perform well. Leases expire and in many cases they are unlikely to be renewed. Over the last four years our operating profits have been fighting this situation. We have been losing leases for a variety of reasons. The Grill Room in Manhattan and America in Union Station could not be renewed because the landlord/developer put those spaces to a new use, Sequoia and Red in Manhattan were closed after Hurricane Sandy when the landlord/developer proposed to demolish the existing buildings to make way for a new development, Gonzalez y Gonzalez in Manhattan and the quick serve restaurants at Venetian in Las Vegas could simply not afford the proposed new rents. All of these operations had good cash flow and over the last few years we have experienced the pressure of this missing EBITDA. We are making good progress with existing and new operations but that progress has been offset by the loss of leases of once very productive assets.

When we started this business 20 year leases seemed permanent. Now we see them as transitional. While we will continue to sign new leases our preference now is to find situations that extend beyond 20 years or to own the property where our restaurants locate. Two recent dealings follow this thinking. The acquisition in

February 2014 of the 600 seat Rustic Inn in Fort Lauderdale, Florida included the ownership of the property and buildings and our decision to invest in the New Meadowlands Racetrack was in part based on a 40 year lease with the state of New Jersey.

Every business faces problems. From my perch the restaurant business is in the midst of some dramatic alteration. The old equations are gathering force toward obsolescence. Rents in urban areas, food costs at wholesale and the cost of general supplies needed to operate are outpacing our ability to raise menu pricing. There is the bigger issue of legislated minimum wage increases. We do not object to minimum wage increases where they are necessary and deserved but some of these increases benefit employees who earn significant money from tips. While most states allow for tip credits toward minimum wage compliance these credits are not significant and we face ever increasing bumps to payroll expense. In the near future restaurants will not be able to absorb these payroll increases and I believe the new equation will be for waiter/servers to be paid an hourly salary and for customers to pay a service charge much as they presently do in Europe. This will allow restaurants to comply with minimum wage legislation, allow tipped employees the certainty of a good salary and systematic raises if they perform well and finally to allow restaurants to offset higher payroll costs through the collection of a service charge.

We believe we operate efficiently. Our brand is our ability to operate large footprints. This requires talented managers and chefs with devoted staffs. We have this in place and it is a proud heritage for your Company. We are nimble. This is best seen in our acquisition of the Rustic Inn. None of the branded companies wanted a one off restaurant. Smaller companies would not risk a sizable all cash purchase. We wanted it, understood the operation and could pay for it. This has been an extraordinary value acquisition for your Company with strong revenues and profits under the guidance of in place management. We recently opened a second Rustic Inn (also 600 seats) in Jupiter, Florida (albeit a 20 year lease). Our investment in New Meadowlands Racetrack is a bet on New Jersey passing legislation to allow for Casino gaming in the northern part of New Jersey and specifically at the racetrack. If the company in which your Company is invested is awarded a gaming license in addition to owning a share of the casino operation, we would also have the benefit of significant food and beverage revenues.

There are benefits inherent in our business. Because our product is fresh we turn inventory several hundred times a year. There is little waste and therefore few inventory write downs. There are little in the way of accounts receivable. Customers pay with either cash or credit cards and the credit card companies remit in a matter of days. Write downs of receivables are minimal. The returns on equity for large restaurants that succeed make the effort worthwhile and keep us engaged. But the discipline is to not get excited unless the lease or acquisition of the property underlying the operation is a favorable economic deal and the build out is reasonable in relation to anticipated revenue. While we like to hit home runs we enter new operations with the mind that a single will provide us a fair return. In general, if we know the lease cost and we can validate revenue we can easily project an operating statement.

This past year New York was an exceptional performer. All of our New York restaurants posted increased sales and better bottom lines. We had been struggling with Clyde's since it began operations three years ago but we are experiencing continued increasing revenue and are hopeful that there will be an operating profit in fiscal 2015.

In Washington DC our remaining Union Station operations have not fared as well as in prior years. The main hall of the station is under restoration and eating at our restaurants during construction can be somewhat uncomfortable. Sequoia in Washington Harbor had an improved year with the introduction of a new menu and a better marketing effort in our catering and events department.

Las Vegas had slightly negative sales comparisons with last year and operating profits were flat. Vegas remains a difficult market with continuous expansion of restaurant capacity occurring throughout the city that quickly absorbs any increased demand. New York New York is adding an 18,000 seat arena that comes on line in 2016. There will be several new restaurants as well. We cannot speculate on how this will affect our sales. Obviously, if the arena is successful this will bring new demand for the casino. But there will also be competition in the supply of restaurant seating.

Beside our newly acquired Rustic Inn and our expansion with a second Rustic Inn we have two food courts in Florida at the Hollywood and Tampa Hard Rock Casinos. These were truly home run investment for the last ten years. Recently Hard Rock has changed their marketing programs and eliminated a significant percentage of comps and coupons to casino guests. These comps and coupons were a large part of our food court revenue (the casino would reimburse us for a percentage of the dollar value of used comps and coupons). Although we retain good cash flow our sales and operating profits are down from prior years.

We continue to own and operate Durgin Park in Boston and two restaurants at Foxwoods Casino in Connecticut. These operations improved slightly in this last year. Thank you for investing with us.

Michael Weinstein
Chairman and Chief Executive Officer

ARK RESTAURANTS CORP.

Corporate Office

Michael Weinstein, Chairman and Chief Executive Officer
Robert Stewart, President, Chief Financial Officer and Treasurer
Vincent Pascal, Senior Vice President and Chief Operating Officer
Paul Gordon, Senior Vice President-Director of Las Vegas Operations
Walter Rauscher, Vice President-Corporate Sales & Catering
Nancy Alvarez, Controller
Marilyn Guy, Director of Human Resources
Donna McCarthy, Director of Operations – Atlantic City
Scott Moon, Director of Catering-Washington D.C.
Andrea O'Brien, Director of Tour and Travel
John Oldweiler, Director of Purchasing
Luis Gomes, Director of Purchasing – Las Vegas Operations
Linda Clous, Director of Facilities Management
Evyette Ortiz, Director of Marketing
Veronica Mijelshon, Director of Architecture and Design
Oona Cassidy, Counsel and Secretary
Teresita Mendoza, Controller – Las Vegas Operations
Craig Tribus, Director of Operations – Las Vegas Operations
Welner Villatoro, Director of Maintenance – Las Vegas Operations
Nicole Calix Coy, Director of Human Resources – Las Vegas Operations

Executive Chefs

Damien McEvoy, Las Vegas
Sergio Soto, Atlantic City, NJ
Vico Ortega, New York, NY

Restaurant General Managers-New York

Ruperto Ramirez, Canyon Road
Dianne Ashe-Giovannone, El Rio Grande
Donna Simms, Bryant Park Grill
Ana Harris, Robert
Bridgeen Rice, Clyde Frazier's Wine and Dine

Restaurant General Managers-Washington D.C.
Bender Gamiao, Thunder Grill & Center Café
Maurizio Reyes, Sequoia

Restaurant General Manager-Atlantic City, NJ
Rosalina Iannucci, Gallagher's Steakhouse and Gallagher's Burger Bar

Restaurant General Managers-Las Vegas

Charles Gerbino, Las Vegas Employee Dining Facility
John Hausdorf, Las Vegas Room Service
Geri Ohta, Director of Sales and Catering
Kelly Rosas, America
Mary Massa, Gonzalez y Gonzalez
Christopher Waltrip, Gallagher's Steakhouse
Ivonne Escobedo, Village Streets
Jeff Stein, Broadway Burger Bar & Grill
Daniel Phee, V-Bar
Staci Green, Yolos Mexican Grill

Restaurant General Manager-Boston
Patricia Reyes, Durgin-Park

Restaurant Chef-Boston
Roberto Reyes, Durgin-Park

Restaurant General Managers-Florida
Darvin Prats, Tampa Food Court
Edgar Gonzalez-Pratt. Hollywood Food Court
Michael Diascro, The Rustic Inn

Restaurant General Manager-Foxwoods
Matilda Santana, Manager of Connecticut Operations
Keri House, The Grill at Two Trees

Restaurant Chefs-New York

Fermin Ramirez, El Rio Grande
Ruperto Ramirez, Canyon Road Grill
Gadi Weinreich, Bryant Park Grill
Louisa Fernandez, Robert
Armando Cortes, Clyde Frazier's Wine and Dine

Restaurant Chefs-Washington D.C.
Michael Foo, Thunder Grill & Center Café
Fanor Baldarrama, Sequoia

Restaurant Chefs-Las Vegas

Jerome Lingle, America
Paul Savoy, Gallagher's Steakhouse
Richard Harris, Banquets
Steve Shoun, Las Vegas Employee Dining Facility
Sergio Salazar, Gonzalez y Gonzalez
Justin Vega, Yolos Mexican Grill
Bernard Camat, Broadway Burger Bar & Grill

Restaurant Chefs-Florida
Artemio Espinoza, Hollywood Food Court
Nolberto Vernal, Tampa Food Court

Restaurant Chef-Foxwoods
Rosalio Fuentes, The Grill at Two Trees

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

As of September 27, 2014, the Company owned and operated 20 restaurants and bars, 21 fast food concepts and catering operations, exclusively in the United States, that have similar economic characteristics, nature of products and service, class of customer and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance. The Consolidated Statements of Income for the year ended September 27, 2014 include revenues and earnings of approximately $8,753,000 and $1,301,000, respectively, related to The Rustic Inn, which was acquired on February 24, 2014.

Accounting Period

Our fiscal year ends on the Saturday nearest September 30. We report fiscal years under a 52/53-week format. This reporting method is used by many companies in the hospitality industry and is meant to improve year-to-year comparisons of operating results. Under this method, certain years will contain 53 weeks. The fiscal years ended September 27, 2014 and September 28, 2013 included 52 weeks.

Seasonality

The Company has substantial fixed costs that do not decline proportionally with sales. The first and second fiscal quarters, which include the winter months, usually reflect lower customer traffic than in the third and fourth fiscal quarters. In addition, sales in the third and fourth fiscal quarters can be adversely affected by inclement weather due to the significant amount of outdoor seating at the Company's restaurants.

Results of Operations

The Company's operating income of $7,628,000 for the year ended September 27, 2014 increased 15.5% compared to operating income of $6,606,000 for the year ended September 28, 2013. This increase resulted from a combination of factors including: (i) operating income of The Rustic Inn of $1,301,000 for the period from the date of acquisition, (ii) strong catering revenues in New York, (iii) an improvement in the performance of Clyde Frazier's Wine and Dine, and (iv) the negative effects of losses in the prior period from closed properties, all partially offset by a decrease in the usage of complimentaries by the ownership of the casinos and increased competition at our Florida properties combined with the negative impact of additional room capacity without a corresponding increase in overall traffic in Las Vegas.

The following table summarizes the significant components of the Company's operating results for the years ended September 27, 2014 and September 28, 2013, respectively:

	Year Ended		Variance	
	September 27, 2014	September 28, 2013	$	%
	(in thousands)			
REVENUES:				
Food and beverage sales	$ 137,895	$ 129,122	$ 8,773	6.8%
Other revenue	1,462	1,476	(14)	-0.9%
Total revenues	139,357	130,598	8,759	6.7%
COSTS AND EXPENSES:				
Food and beverage cost of sales	37,091	32,791	4,300	13.1%
Payroll expenses	44,427	42,488	1,939	4.6%
Occupancy expenses	17,388	17,533	(145)	-0.8%
Other operating costs and expenses	17,802	17,085	717	4.2%
General and administrative expenses	10,402	9,792	610	6.2%
Depreciation and amortization	4,619	4,303	316	7.3%
Total costs and expenses	131,729	123,992	7,737	6.2%
OPERATING INCOME	$ 7,628	$ 6,606	$ 1,022	15.5%

Revenues

During the Company's year ended September 27, 2014 ("fiscal 2014"), revenues increased 6.7% compared to the year ended September 28, 2013 ("fiscal 2013"). This increase resulted primarily from: (i) revenues related to *The Rustic Inn* for the period from the date of acquisition, (ii) strong catering revenues in New York, (iii) revenues related to our new restaurant in Atlantic City, NJ, *Broadway Burger Bar and Grill,* which opened in June 2013, and (iv) the negative impacts of Hurricane Sandy in the prior period, particularly at our properties in Atlantic City, NJ, partially offset by increased competition and a decrease in the usage of complimentaries by the ownership of the casinos at our Florida properties, the negative impact of additional room capacity without a corresponding increase in overall traffic in Las Vegas and the closure of *Rialto Deli* and *The Sporting House* in the year ended September 27, 2014.

Food and Beverage Same-Store Sales

On a Company-wide basis, same store food and beverage sales increased 0.5% for the year ended September 27, 2014 as compared to the year ended September 28, 2013 as follows:

	Year Ended		Variance	
	September 27, 2014	September 28, 2013	$	%
	(in thousands)			
Las Vegas	$ 48,292	$ 49,062	$ (770)	-1.6%
New York	36,134	32,872	3,262	9.9%
Washington, DC	15,096	14,744	352	2.4%
Atlantic City, NJ	3,358	3,078	280	9.1%
Boston	3,910	3,767	143	3.8%
Connecticut	3,685	3,751	(66)	-1.8%
Florida	11,172	13,739	(2,567)	-18.7%
Same store sales	121,647	121,013	$ 634	0.5%
Other	16,248	8,109		
Food and beverage sales	$ 137,895	$ 129,122		

Same-store sales in Las Vegas (which exclude *The Sporting House* and *Rialto Deli* properties as they were closed during the year ended September 27, 2014) decreased 1.6% primarily as a result of the negative impact of additional room capacity without a corresponding increase in overall traffic. Same-store sales in New York (which exclude the *Red* and *Sequoia* properties as they were closed in October 2012) increased 9.9%, primarily as a result of strong catering revenues and good weather as compared to last year. Same-store sales in Washington, DC increased 2.4% as a result of good weather conditions. Same-store sales in Atlantic City (which exclude *Broadway Burger Bar and Grill,* which opened in June 2013) increased 9.1%, primarily due to the negative impacts of Hurricane Sandy in the prior period. Same-store sales in Boston increased 3.8% primarily as a result of good weather conditions. Same-store sales in Connecticut decreased 1.8% due to declining traffic at the Foxwoods Resort and Casino where our properties are located. Same-store sales in Florida (which exclude *The Rustic Inn,* which was acquired on February 24, 2014) decreased 18.7% due to a decrease in the usage of complimentaries by the ownership of the casinos where our properties are located and increased competition at one of our properties. Other food and beverage sales consist of sales related to *The Rustic Inn*, sales related to new restaurants opened during the applicable period and sales related to properties that were closed during the period due to lease expiration and other closures.

Our restaurants generally do not achieve substantial increases in revenue from year to year, which we consider to be typical of the restaurant industry. To achieve significant increases in revenue or to replace revenue of restaurants that lose customer favor or which close because of lease expirations or other reasons, we would have to open additional restaurant facilities or expand existing restaurants. There can be no assurance that a restaurant will be successful after it is opened, particularly since in many instances we do not operate our new restaurants under a trade name currently used by us, thereby requiring new restaurants to establish their own identity.

Other Revenue

The slight decrease in Other Revenue for fiscal 2014 as compared to fiscal 2013 is primarily due to a decrease in purchase service fees.

Costs and Expenses

Costs and expenses for the years ended September 27, 2014 and September 28, 2013 were as follows (in thousands):

	Year Ended September 27, 2014	% to Total Revenues	Year Ended September 28, 2013	% to Total Revenues	Increase (Decrease) $	Increase (Decrease) %
Food and beverage cost of sales	$ 37,091	26.6%	$ 32,791	25.1%	$ 4,300	13.1%
Payroll expenses	44,427	31.9%	42,488	32.5%	1,939	4.6%
Occupancy expenses	17,388	12.5%	17,533	13.4%	(145)	-0.8%
Other operating costs and expenses	17,802	12.8%	17,085	13.1%	717	4.2%
General and administrative expenses	10,402	7.5%	9,792	7.5%	610	6.2%
Depreciation and amortization	4,619	3.3%	4,303	3.3%	316	7.3%
	$ 131,729		$ 123,992		$ 7,737	

Increases in food and beverage costs as a percentage of total revenues for the year ended September 27, 2014 compared to the year ended September 28, 2013 are a result of higher food costs as a percentage of sales, particularly related to *The Rustic Inn*, a seafood restaurant which, consistent with the industry, operates at a higher food cost structure. Excluding the impact of these costs, food and beverage costs as a percentage of total revenues increased 0.4% for the year ended September 27, 2014 compared to the year ended September 28, 2013.

Payroll expenses as a percentage of total revenues for the year ended September 27, 2014 decreased as compared to the year ended September 28, 2013 due primarily to severance payments to employees of closed properties in the prior period.

Occupancy expenses as a percentage of total revenues for the year ended September 27, 2014 decreased as compared to the year ended September 28, 2013 as a result of higher sales at properties where rents are relatively fixed or where the Company owns the premises at which the property operates (*The Rustic Inn*). Excluding the impact of *The Rustic Inn*, occupancy expenses as a percentage of total revenues were consistent.

Other operating costs and expenses as a percentage of total revenues for the year ended September 27, 2014 decreased slightly as compared to the year ended September 28, 2013 as a result of non-recurring expenses in the prior period associated with one of our properties.

General and administrative expenses (which relate solely to the corporate office in New York City) as a percentage of total revenues for the year ended September 27, 2014 were consistent as compared to the year ended September 28, 2013.

Income Taxes

The provision for income taxes reflects federal income taxes calculated on a consolidated basis and state and local income taxes which are calculated on a separate entity basis. Most of the restaurants we own or manage are owned or managed by a separate legal entity.

For state and local income tax purposes, certain losses incurred by a subsidiary may only be used to offset that subsidiary's income, with the exception of the restaurants operating in the District of Columbia. Accordingly, our overall effective tax rate has varied depending on the level of income and losses incurred at individual subsidiaries.

Our overall effective tax rate in the future will be affected by factors such as the level of losses incurred at our New York City facilities which cannot be consolidated for state and local tax purposes, pre-tax income earned outside of New York City and the utilization of state and local net operating loss carry forwards. Nevada has no state income tax and other states in which we operate have income tax rates substantially lower in comparison to New York. In order to utilize more effectively tax loss carry forwards at restaurants that were unprofitable, we have merged certain profitable subsidiaries with certain loss subsidiaries.

The Revenue Reconciliation Act of 1993 provides tax credits to us for FICA taxes paid on tip income of restaurant service personnel. The net benefit to us was $655,000 and $531,000 in fiscal 2014 and 2013, respectively.

Liquidity and Capital Resources

Our primary source of capital has been cash provided by operations. We utilize cash generated from operations to fund the cost of developing and opening new restaurants, acquiring existing restaurants owned by others and remodeling existing restaurants we own; however, in recent years, we have utilized bank and other borrowings to finance specific transactions.

Net cash flow provided by operating activities for the year ended September 27, 2014 was $11,905,000, compared to $13,059,000 for the prior year. This decrease was primarily attributable to changes in net working capital partially offset by an increase in operating income as discussed above.

Net cash used in investing activities for the year ended September 27, 2014 was $6,692,000 and resulted primarily from the purchases of fixed assets at existing restaurants, an additional $464,000 investment in New Meadowlands Racetrack LLC, a $1,500,000 loan made to Meadowlands Newmark LLC and the cash portion of the purchase of *The Rustic Inn* in the amount of $1,710,000.

Net cash used in investing activities for the year ended September 28, 2013 was $10,380,000 and resulted primarily from the purchases of fixed assets at existing restaurants, the construction of the *Broadway Burger Bar and Grill* in Atlantic City, NJ, the purchase of the Florida membership interests and the investment in New Meadowlands Racetrack LLC.

Net cash used in financing activities for the year ended September 27, 2014 of $5,299,000 resulted from the payment of dividends, principal payments on notes payable and distributions to non-controlling interests partially offset by the proceeds from the exercise of stock options.

Net cash used in financing activities for the year ended September 28, 2013 of $2,636,000 resulted from the payment of dividends, principal payments on notes payable and distributions to non-controlling interests offset by proceeds of $3,000,000 from the issuance of a note payable to a bank.

The Company had a working capital deficiency of $1,303,000 at September 27, 2014, as compared to a working capital surplus of $306,000 at September 28, 2013. This resulted primarily from our additional investment in New Meadowlands Racetrack LLC, the loan made to Meadowlands Newmark LLC and our acquisition of *The Rustic Inn*. We believe that our existing cash balances and cash provided by operations will be sufficient to meet our liquidity and capital spending requirements at least through the next 12 months.

On December 30, 2013, April 4, 2014, July 3, 2014 and October 3, 2014, the Company paid quarterly cash dividends in the amount of $0.25 per share on the Company's common stock. The Company intends to continue to pay such quarterly cash dividend for the foreseeable future, however, the payment of future dividends is at the discretion of the Company's Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors

Restaurant Expansion

On November 28, 2012, a subsidiary of the Company entered into an agreement to design and lease a restaurant at the Tropicana Hotel and Casino in Atlantic City, NJ. The cost to construct this restaurant was approximately $1,500,000. The initial term of the lease for this facility expires June 7, 2023 and has two five-year renewals. The restaurant, *Broadway Burger Bar and Grill*, opened during the third quarter of fiscal 2013 and, as a result, the Consolidated Statement of Income for the year ended September 28, 2013 includes approximately $100,000 of pre-opening and early operating losses related to this property.

On February 24, 2014, the Company, through a wholly-owned subsidiary, Ark Rustic Inn LLC, completed its acquisition of the assets of *The Rustic Inn*, a restaurant and bar located in Dania Beach, Florida, for a total purchase price of approximately $7,710,000. The acquisition is accounted for as a business combination and was financed with a bank loan in the amount of $6,000,000 and cash from operations.

On July 18, 2014, the Company, through a wholly-owned subsidiary, Ark Jupiter RI, LLC, entered into an agreement with Crab House, Inc., and acquired certain assets and the related lease for a restaurant and bar located in Jupiter, Florida for approximately $250,000. In connection with this transaction, the Company entered into an amended lease for an initial period expiring through December 31, 2015. The Company has the option to extend the lease through 2033. The Company is currently renovating the property, which is expected to cost approximately $750,000, and anticipates it will open during the first quarter of fiscal 2015.

The opening of a new restaurant is invariably accompanied by substantial pre-opening expenses and early operating losses associated with the training of personnel, excess kitchen costs, costs of supervision and other expenses during the pre-opening period and during a post-opening "shake out" period until operations can be considered to be functioning normally. The amount of such pre-opening expenses and early operating losses can generally be expected to depend upon the size and complexity of the facility being opened.

Our restaurants generally do not achieve substantial increases in revenue from year to year, which we consider to be typical of the restaurant industry. To achieve significant increases in revenue or to replace revenue of restaurants that lose customer favor or which close because of lease expirations or other reasons, we would have to open additional restaurant facilities or expand existing restaurants. There can be no assurance that a restaurant will be successful after it is opened, particularly since in many instances we do not operate our new restaurants under a trade name currently used by us, thereby requiring new restaurants to establish their own identity.

We may take advantage of other opportunities we consider to be favorable, when they occur, depending upon the availability of financing and other factors.

Investment in New Meadowlands Racetrack

On March 12, 2013, the Company made a $4,200,000 investment in the New Meadowlands Racetrack LLC ("NMR") through its purchase of a membership interest in Meadowlands Newmark, LLC, an existing member of NMR. On November 19, 2013, the Company invested an additional $464,000 in NMR through a purchase of an additional membership interest in Meadowlands Newmark, LLC resulting in a total ownership of 11.6%. In addition to the Company's ownership interest in NMR LLC, if casino gaming is approved at the Meadowlands and NMR is granted the right to conduct said gaming, the Company shall be granted the exclusive right to operate the food and beverage concessions in the gaming facility with the exception of one restaurant.

In conjunction with this investment, the Company, through a 97% owned subsidiary, Ark Meadowlands LLC ("AM VIE"), also entered into a long-term agreement with NMR for the exclusive right to operate food and beverage concessions serving the new raceway facilities (the "Racing F&B Concessions") located in the new raceway grandstand constructed at the Meadowlands Racetrack in northern New Jersey. Under the agreement, NMR is responsible to pay for the costs and expenses incurred in the operation of the Racing F&B Concessions, and all revenues and profits thereof inure to the benefit of NMR. AM VIE receives an annual fee equal to 5% of the net profits received by NMR from the Racing F&B Concessions during each calendar year.

On April 25, 2014, the Company loaned $1,500,000 to Meadowlands Newmark, LLC. The note bears interest at 3%, compounded monthly and added to the principal, and is due in its entirety on January 31, 2024. The note may be prepaid, in whole or in part, at any time without penalty or premium.

Recent Restaurant Dispositions and Charges

Lease Expirations – The Company was advised by the landlord that it would have to vacate *The Sporting House* property located in New York-New York Hotel and Casino in Las Vegas, NV which was on a month-to-month lease. The closure of this property occurred in June 2014 and did not result in a material charge.

On May 31, 2014, the Company's lease at the *Rialto Deli* located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

Other – On October 29, 2012, the Company suffered a flood at its *Red* and *Sequoia* properties located in New York, NY as a result of a hurricane. The Company did not reopen these properties as the underlying leases were due to expire in the second quarter of fiscal 2013. Losses related to the closure of these properties, in the amount of $256,000, are included in Other Operating Costs and Expenses in the Consolidated Statement of Income for the year ended September 28, 2013.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our consolidated results of operations, financial position or cash flows for the periods presented in this report.

Below are listed certain policies that management believes are critical:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require our most difficult and subjective judgments include allowances for potential bad debts on receivables, the useful lives and recoverability of our assets, such as property and intangibles, fair values of financial instruments and share-based compensation, the realizable value of our tax assets and other matters. Because of the uncertainty in such estimates, actual results may differ from these estimates.

Long-Lived Assets

Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, we perform an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including estimated future sales growth and estimated profit margins are included in this analysis.

Management continually evaluates unfavorable cash flows, if any, related to underperforming restaurants. Periodically it is concluded that certain properties have become impaired based on their existing and anticipated future economic outlook in their respective markets. In such instances, we may impair assets to reduce their carrying values to fair values. Estimated fair values of impaired properties are based on comparable valuations, cash flows and/or management judgment. No impairment charges were necessary for the years ended September 27, 2014 and September 28, 2013.

Leases

We recognize rent expense on a straight-line basis over the expected lease term, including option periods as described below. Within the provisions of certain leases there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes option periods when it is deemed to be reasonably assured that we would incur an economic penalty for not exercising the option. Percentage rent expense is generally based upon sales levels and is expensed as incurred. Certain leases include both base rent and percentage rent. We record rent expense on these leases based upon reasonably assured sales levels. The consolidated financial statements reflect the same lease terms for amortizing leasehold improvements as were used in calculating straight-line rent expense for each restaurant. Our judgments may produce materially different amounts of amortization and rent expense than would be reported if different lease terms were used.

Deferred Income Tax Valuation Allowance

We provide such allowance due to uncertainty that some of the deferred tax amounts may not be realized. Certain items, such as state and local tax loss carryforwards, are dependent on future earnings or the availability of tax strategies. Future results could require an increase or decrease in the valuation allowance and a resulting adjustment to income in such period.

Goodwill and Trademarks

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Trademarks are considered to have an indefinite life. Goodwill and trademarks are not amortized, but are subject to impairment analysis at least once annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. At September 27, 2014, the Company performed a qualitative assessment of factors to determine whether further impairment testing is required. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at September 27, 2014. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events, management expertise and stability at key positions. Additional impairment analyses at future dates may be performed to determine if indicators of impairment are present, and if so, such amount will be determined and the associated charge will be recorded to the Consolidated Statements of Income.

Share-Based Compensation

The Company measures share-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the applicable vesting period using the straight-line method. Excess income tax benefits related to share-based compensation expense that must be recognized directly in equity are considered financing rather than operating cash flow activities.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. During fiscal 2014, options to purchase 205,500 shares of common stock were granted and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. The Company did not grant any options during fiscal 2013. The Company generally issues new shares upon the exercise of employee stock options.

Recently Adopted and Issued Accounting Standards

See Notes 1 and 2 of Notes to Consolidated Financial Statements for a description of recent accounting pronouncements, including those adopted in 2014 and the expected dates of adoption and the anticipated impact on the Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Market For The Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Our Common Stock

Our Common Stock, $.01 par value, is traded in the over-the-counter market on the Nasdaq Capital Market under the symbol "ARKR." The high and low sale prices for our Common Stock from October 1, 2012 through September 27, 2014 are as follows:

Calendar 2012	High	Low
Fourth Quarter	$ 17.14	$ 15.61
Calendar 2013		
First Quarter	21.64	16.77
Second Quarter	21.97	20.23
Third Quarter	22.25	20.05
Fourth Quarter	20.96	22.10
Calendar 2014		
First Quarter	22.52	21.23
Second Quarter	22.71	21.20
Third Quarter	23.21	21.14

Dividend Policy

On November 29, 2012, March 6, 2013, June 12, 2013, September 17, 2013, December 4, 2013, February 28, 2014, June 4, 2014 and September 5, 2014 our Board of Directors declared quarterly cash dividends in the amount of $0.25 per share. We intend to continue to pay such quarterly cash dividends for the foreseeable future; however, the payment of future dividends is at the discretion of our Board of Directors and is based on future earnings, cash flow, financial condition, capital requirements, changes in U.S. taxation and other relevant factors.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Ark Restaurants Corp.

We have audited the accompanying consolidated balance sheets of Ark Restaurants Corp. and Subsidiaries as of September 27, 2014 and September 28, 2013, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the two-year period ended September 27, 2014. Ark Restaurants Corp. and Subsidiaries' management is responsible for these consolidated financial statements. 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 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 Ark Restaurants Corp. and Subsidiaries as of September 27, 2014 and September 28, 2013, and their consolidated results of operations and cash flows for each of the years in the two-year period ended September 27, 2014 in conformity with accounting principles generally accepted in the United States of America.

/s/ CohnReznick LLP

Jericho, New York
December 24, 2014

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Amounts)

	September 27, 2014	September 28, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (includes $584 at September 27, 2014 and $637 at September 28, 2013 related to VIEs)	$ 8,662	$ 8,748
Accounts receivable (includes $440 at September 27, 2014 and $317 at September 28, 2013 related to VIEs)	3,016	2,712
Employee receivables	399	346
Inventories (includes $19 at September 27, 2014 and $16 at September 28, 2013 related to VIEs)	1,832	1,579
Prepaid expenses and other current assets (includes $173 at September 27, 2014 and $176 at September 28, 2013 related to VIEs)	1,491	1,605
Current portion of note receivable	25	226
Total current assets	15,425	15,216
FIXED ASSETS - Net (includes $59 at September 27, 2014 and $89 at September 28, 2013 related to VIEs)	29,019	25,017
NOTE RECEIVABLE, LESS CURRENT PORTION	228	774
INTANGIBLE ASSETS - Net	95	13
GOODWILL	6,813	4,813
TRADEMARKS	1,221	721
DEFERRED INCOME TAXES	5,214	4,806
OTHER ASSETS (includes $71 at September 27, 2014 and September 28, 2013 related to VIEs)	7,348	5,098
TOTAL ASSETS	$ 65,363	$ 56,458
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable - trade (includes $58 at September 27, 2014 and $70 at September 28, 2013 related to VIEs)	$ 2,592	$ 2,758
Accrued expenses and other current liabilities (includes $179 at September 27, 2014 and $140 at September 28, 2013 related to VIEs)	10,336	9,275
Accrued income taxes	1,162	-
Dividend payable	844	814
Current portion of notes payable	1,794	2,063
Total current liabilities	16,728	14,910
OPERATING LEASE DEFERRED CREDIT (includes $75 at September 27, 2014 related to VIEs)	4,219	4,606
NOTES PAYABLE, LESS CURRENT PORTION	5,524	1,594
TOTAL LIABILITIES	26,471	21,110
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Common stock, par value $.01 per share - authorized, 10,000 shares; issued, 4,733 shares at September 27, 2014 and 4,610 shares at September 28, 2013; outstanding, 3,377 shares at September 27, 2014 and 3,254 shares at September 28, 2013	47	46
Additional paid-in capital	25,167	22,978
Retained earnings	24,554	22,950
	49,768	45,974
Less treasury stock, at cost, of 1,356 shares at September 27, 2014 and September 28, 2013	(13,220)	(13,220)
Total Ark Restaurants Corp. shareholders' equity	36,548	32,754
NON-CONTROLLING INTERESTS	2,344	2,594
TOTAL EQUITY	38,892	35,348
TOTAL LIABILITIES AND EQUITY	$ 65,363	$ 56,458

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Year Ended	
	September 27, 2014	September 28, 2013
REVENUES:		
Food and beverage sales	$ 137,895	$ 129,122
Other revenue	1,462	1,476
Total revenues	139,357	130,598
COSTS AND EXPENSES:		
Food and beverage cost of sales	37,091	32,791
Payroll expenses	44,427	42,488
Occupancy expenses	17,388	17,533
Other operating costs and expenses	17,802	17,085
General and administrative expenses	10,402	9,792
Depreciation and amortization	4,619	4,303
Total costs and expenses	131,729	123,992
OPERATING INCOME	7,628	6,606
OTHER (INCOME) EXPENSE:		
Interest expense	201	62
Interest income	(45)	-
Other income, net	(488)	(508)
Total other income, net	(332)	(446)
INCOME BEFORE PROVISION FOR INCOME TAXES	7,960	7,052
Provision for income taxes	1,775	1,941
CONSOLIDATED NET INCOME	6,185	5,111
Net income attributable to non-controlling interests	(1,270)	(1,286)
NET INCOME ATTRIBUTABLE TO ARK RESTAURANTS CORP.	$ 4,915	$ 3,825
NET INCOME PER ARK RESTAURANTS CORP. COMMON SHARE:		
Basic	$ 1.49	$ 1.18
Diluted	$ 1.43	$ 1.13
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	3,296	3,246
Diluted	3,430	3,371

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED SEPTEMBER 27, 2014 AND SEPTEMBER 28, 2013
(In Thousands)

	Common Stock		Additional Paid-In	Retained	Treasury	Total Ark Restaurants Corp. Shareholders'	Non-controlling	Total
	Shares	Amount	Capital	Earnings	Stock	Equity	Interests	Equity
BALANCE - September 29, 2012	4,601	$ 46	$ 23,410	$ 22,372	$ (13,220)	$ 32,608	$ 4,179	$ 36,787
Net income	-	-	-	3,825	-	3,825	1,286	5,111
Exercise of stock options	9	-	121	-	-	121	-	121
Tax benefit on exercise of stock options	-	-	44	-	-	44	-	44
Purchase of member interests in subsidiary	-	-	(2,685)	-	-	(2,685)	(280)	(2,965)
Tax benefit of purchase of member interests in subsidiary	-	-	1,080	-	-	1,080	-	1,080
Elimination of non-controlling interest in discontinued operation	-	-	691	-	-	691	(691)	-
Stock-based compensation	-	-	317	-	-	317	-	317
Distributions to non-controlling interests	-	-	-	-	-	-	(1,900)	(1,900)
Paid and accrued dividends - $1.00 per share	-	-	-	(3,247)	-	(3,247)	-	(3,247)
BALANCE - September 28, 2013	4,610	$ 46	$ 22,978	$ 22,950	$ (13,220)	$ 32,754	$ 2,594	$ 35,348
Net income	-	-		4,915	-	4,915	1,270	6,185
Exercise of stock options	123	1	1,620	-	-	1,621	-	1,621
Tax benefit on exercise of stock options	-	-	220	-	-	220	-	220
Stock-based compensation	-	-	349	-	-	349	-	349
Distributions to non-controlling interests	-	-	-	-	-	-	(1,520)	(1,520)
Accrued and paid dividends - $1.00 per share	-	-	-	(3,311)	-	(3,311)	-	(3,311)
BALANCE - September 27, 2014	4,733	$ 47	$ 25,167	$ 24,554	$ (13,220)	$ 36,548	$ 2,344	$ 38,892

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended	
	September 27, 2014	September 28, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 6,185	$ 5,111
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Loss on closure of restaurants	9	256
Deferred income taxes	(408)	1,234
Stock-based compensation	349	317
Depreciation and amortization	4,619	4,303
Operating lease deferred credit	(387)	(44)
Changes in operating assets and liabilities:		
Accounts receivable	(304)	1,078
Inventories	(43)	(103)
Prepaid, refundable and accrued income taxes	1,566	418
Prepaid expenses and other current assets	(290)	(51)
Other assets	(286)	109
Accounts payable - trade	(166)	29
Accrued expenses and other liabilities	1,061	402
Net cash provided by operating activities	11,905	13,059
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(3,598)	(3,283)
Loans and advances made to employees	(261)	(124)
Payments received on employee receivables	208	117
Payments received on note receivable	747	-
Proceeds from sales of investment securities	-	75
Purchase of member interests in subsidiary	-	(2,965)
Purchase of member interest in New Meadowlands Racetrack LLC	(464)	(4,200)
Loan made to Meadowlands Newmark LLC	(1,500)	-
Purchase of The Rustic Inn	(1,710)	-
Purchase leasehold rights	(114)	-
Net cash used in investing activities	(6,692)	(10,380)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of note payable	-	3,000
Principal payments on notes payable	(2,339)	(1,468)
Dividends paid	(3,281)	(2,433)
Proceeds from issuance of stock upon exercise of stock options	1,621	121
Excess tax benefits related to stock-based compensation	220	44
Distributions to non-controlling interests	(1,520)	(1,900)
Net cash used in financing activities	(5,299)	(2,636)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(86)	43
CASH AND CASH EQUIVALENTS, Beginning of year	8,748	8,705
CASH AND CASH EQUIVALENTS, End of year	$ 8,662	$ 8,748
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 201	$ 62
Income taxes	$ 790	$ 379
Non-cash investing activity:		
Tax benefit of purchase of member interests in subsidiary	$ -	$ 1,080
Liquidation of non-controlling interests in discontinued operation	$ -	$ 691
Conversion of intangible asset to note receivable	$ -	$ 1,000
Non-cash financing activity:		
Note payable in connection with purchase of The Rustic Inn	$ 6,000	$ -
Accrued dividend	$ 844	$ 814

See notes to consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of September 27, 2014, Ark Restaurants Corp. and Subsidiaries (the "Company") owned and operated 20 restaurants and bars, 21 fast food concepts and catering operations, exclusively in the United States, that have similar economic characteristics, nature of products and service, class of customers and distribution methods. The Company believes it meets the criteria for aggregating its operating segments into a single reporting segment in accordance with applicable accounting guidance.

The Company operates five restaurants in New York City, three in Washington, D.C., six in Las Vegas, Nevada, three in Atlantic City, New Jersey, one at the Foxwoods Resort Casino in Ledyard, Connecticut, one in Boston, Massachusetts and one in Dania Beach, Florida. The Las Vegas operations include four restaurants within the New York-New York Hotel & Casino Resort and operation of the hotel's room service, banquet facilities, employee dining room and six food court concepts; one bar within the Venetian Casino Resort as well as two food court concepts; and one restaurant within the Planet Hollywood Resort and Casino. In Atlantic City, New Jersey, the Company operates a restaurant and a bar in the Resorts Atlantic City Hotel and Casino and a restaurant and bar at the Tropicana Hotel and Casino. The operation at the Foxwoods Resort Casino consists of one fast food concept and a restaurant. In Boston, Massachusetts, the Company operates a restaurant in the Faneuil Hall Marketplace. The Florida operations include five fast food facilities in Tampa, Florida, seven fast food facilities in Hollywood, Florida, each at a Hard Rock Hotel and Casino and a restaurant in Dania Beach, Florida which was acquired on February 24, 2014.

Basis of Presentation — The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States of America ("GAAP"). The Company's reporting currency is the United States dollar.

Accounting Period — The Company's fiscal year ends on the Saturday nearest September 30. The fiscal years ended September 27, 2014 and September 28, 2013 included 52 weeks.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require management's most difficult and subjective judgments include allowances for potential bad debts on receivables, the useful lives and recoverability of its assets, such as property and intangibles, fair values of financial instruments and share-based compensation, the realizable value of its tax assets and other matters. Because of the uncertainty in such estimates, actual results may differ from these estimates.

Principles of Consolidation — The consolidated financial statements include the accounts of Ark Restaurants Corp. and all of its wholly-owned subsidiaries, partnerships and other entities in which it has a controlling interest. Also included in the consolidated financial statements are certain variable interest entities ("VIEs"). All significant intercompany balances and transactions have been eliminated in consolidation.

Non-Controlling Interests — Non-controlling interests represent capital contributions, income and loss attributable to the shareholders of less than wholly-owned and consolidated entities.

Seasonality — The Company has substantial fixed costs that do not decline proportionally with sales. The first and second fiscal quarters, which include the winter months, usually reflect lower customer traffic than in the third and fourth fiscal quarters. In addition, sales in the third and fourth fiscal quarters can be adversely affected by inclement weather due to the significant amount of outdoor seating at the Company's restaurants.

Fair Value of Financial Instruments — The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair values of notes receivable and payable are determined using current applicable rates for similar instruments as of the balance sheet date and approximates the carrying value of such debt.

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand, deposits with banks and highly liquid investments generally with original maturities of three months or less. Outstanding checks in excess of account balances, typically vendor payments, payroll and other contractual obligations disbursed after the last day of a reporting period are reported as a current liability in the accompanying consolidated balance sheets.

Concentrations of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces credit risk by placing its cash and cash equivalents with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits.

For the years ended September 27, 2014 and September 28, 2013, the Company made purchases from one vendor that accounted for approximately 11% and 12%, respectively, of total purchases in each year.

Accounts Receivable — Accounts receivable is primarily comprised of normal business receivables such as credit card receivables that are paid off in a short period of time and amounts due from the hotel operators where the Company has a location, and are recorded when the products or services have been delivered. The Company reviews the collectability of its receivables on an ongoing basis, and provides for an allowance when it considers the entity unable to meet its obligation.

Inventories — Inventories are stated at the lower of cost (first-in, first-out) or market, and consist of food and beverages, merchandise for sale and other supplies.

Revenue Recognition — Company-owned restaurant sales are comprised almost entirely of food and beverage sales. The Company records revenue at the time of the purchase of products by customers. Included in Other Revenues are purchase service fees which represent commissions earned by a subsidiary of the Company for providing purchasing services to other restaurant groups.

The Company offers customers the opportunity to purchase gift certificates. At the time of purchase by the customer, the Company records a gift certificate liability for the face value of the certificate purchased. The Company recognizes the revenue and reduces the gift certificate liability when the certificate is redeemed. The Company does not reduce its recorded liability for potential non-use of purchased gift cards.

Additionally, the Company presents sales tax on a net basis in its consolidated financial statements.

Fixed Assets — Fixed assets are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over the estimated useful lives of the assets. Estimated lives range from three to seven years for furniture, fixtures and equipment and up to 40 years for buildings and related improvements. Amortization of improvements to leased properties is computed using the straight-line method based upon the initial term of the applicable lease or the estimated useful life of the improvements, whichever is less, and ranges from 5 to 30 years. For leases with renewal periods at the Company's option, if failure to exercise a renewal option imposes an economic penalty to the Company, management may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of appropriate estimated useful lives. Routine expenditures for repairs and maintenance are charged to expense when incurred. Major replacements and improvements are capitalized. Upon retirement or disposition of fixed assets, the cost and related accumulated depreciation are removed from the Consolidated Balance Sheet and any resulting gain or loss is recognized in the Consolidated Statements of Income.

The Company includes in construction in progress improvements to restaurants that are under construction. Once the projects have been completed, the Company begins depreciating and amortizing the assets. Start-up costs incurred during the construction period of restaurants, including rental of premises, training and payroll, are expensed as incurred.

Intangible Assets — Intangible assets consist principally of purchased leasehold rights, operating rights and covenants not to compete. Costs associated with acquiring leases and subleases, principally purchased leasehold rights, and operating rights have been capitalized and are being amortized on the straight-line method based upon the initial terms of the applicable lease agreements. Covenants not to compete arising from restaurant acquisitions are amortized over the contractual period, typically five years.

Long-lived Assets — Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including estimated future sales growth and estimated profit margins are included in this analysis. No impairment charges were necessary for the years ended September 27, 2014 and September 28, 2013.

Goodwill and Trademarks — Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Trademarks are considered to have an indefinite life. Goodwill and trademarks are not amortized, but are subject to impairment analysis at least once annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. At September 27, 2014, the Company performed a qualitative assessment of factors to determine whether further impairment testing is required. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at September 27, 2014. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance and other relevant events, management expertise and stability at key positions. Additional impairment analyses at future dates may be performed to determine if indicators of impairment are present, and if so, such amount will be determined and the associated charge will be recorded to the Consolidated Statements of Income.

Leases — The Company recognizes rent expense on a straight-line basis over the expected lease term, including option periods as described below. Within the provisions of certain leases there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes option periods when it is deemed to be reasonably assured that the Company would incur an economic penalty for not exercising the option. Tenant allowances are included in the straight-line calculations and are being deferred over the lease term and reflected as a reduction in rent expense. Percentage rent expense is generally based upon sales levels and is expensed as incurred. Certain leases include both base rent and percentage rent. The Company records rent expense on these leases based upon reasonably assured sales levels. The consolidated financial statements reflect the same lease terms for amortizing leasehold improvements as were used in calculating straight-line rent expense for each restaurant. The judgments of the Company may produce materially different amounts of amortization and rent expense than would be reported if different lease terms were used.

Occupancy Expenses — Occupancy expenses include rent, rent taxes, real estate taxes, insurance and utility costs.

Defined Contribution Plans — The Company offers a defined contribution savings plan (the "Plan") to all of its full-time employees. Eligible employees may contribute pre-tax amounts to the Plan subject to the Internal Revenue Code limitations. Company contributions to the Plan are at the discretion of the Board of Directors. During the years ended September 27, 2014 and September 28, 2013, the Company did not make any contributions to the Plan.

Income Taxes — Income taxes are accounted for under the asset and liability method whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company has recorded a liability for unrecognized tax benefits resulting from tax positions taken, or expected to be taken, in an income tax return. It is the Company's policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. Uncertain tax positions are evaluated and adjusted as appropriate, while taking into account the progress of audits of various taxing jurisdictions.

Non-controlling interests relating to the income or loss of consolidated partnerships includes no provision for income taxes as any tax liability related thereto is the responsibility of the individual minority investors.

Income Per Share of Common Stock — Basic net income per share is calculated on the basis of the weighted average number of common shares outstanding during each period. Diluted net income per share reflects the additional dilutive effect of potentially dilutive shares (principally those arising from the assumed exercise of stock options).

Stock-based Compensation — The Company measures stock-based compensation cost at the grant date based on the fair value of the award and recognizes it as expense over the applicable vesting period using the straight-line method. Upon exercise of options, excess income tax benefits related to share-based compensation expense that must be recognized directly in equity are considered financing rather than operating cash flow activities.

During fiscal 2014, options to purchase 205,500 shares of common stock were granted at an exercise price of $22.50 per share and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. Such options had an aggregate grant date fair value of approximately $840,000. The Company did not grant any options during the fiscal year 2013. The Company generally issues new shares upon the exercise of employee stock options.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of the Company's stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2014 grant include a risk free interest rate of 2.62%, volatility of 33.8%, a dividend yield of 6.0% and an expected life of 6.25 years.

New Accounting Standards Not Yet Adopted — In April 2014, the FASB issued new accounting guidance that changes the definition of a discontinued operation to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This guidance is effective for fiscal years ending after December 15, 2014 and is required to be applied prospectively. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. The Company is evaluating the impact of the adoption of this guidance on its financial condition, results of operations or cash flows.

In May 2014, the FASB issued updated accounting guidance that provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The pronouncement is effective for annual and interim reporting periods beginning after December 15, 2016. Early application is not permitted. This update permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the impact of the adoption of this guidance on its financial condition, results of operations or cash flows as well as the expected adoption method.

In June 2014, the FASB issued guidance which clarifies the recognition of stock-based compensation over the required service period, if it is probable that the performance condition will be achieved. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and should be applied prospectively. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial condition or results of operations.

In August 2014, the FASB issued guidance that requires management to evaluate, at each annual and interim reporting period, the company's ability to continue as a going concern within one year of the date the financial statements are issued and provide related disclosures. This accounting guidance is effective for the Company on a prospective basis beginning in the first quarter of fiscal 2017 and is not expected to have a material effect on the Consolidated Financial Statements.

2. CONSOLIDATION OF VARIABLE INTEREST ENTITIES

The Company consolidates any variable interest entities in which it holds a variable interest and is the primary beneficiary. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity, or (iii) the right to receive the expected residual returns of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The primary beneficiary of a VIE is generally the entity that has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

During the year ended September 28, 2013, the Company purchased an additional 14.39% of the membership interests of Ark Hollywood/Tampa Investment, LLC, directly from the individuals that held such interests, for an aggregate consideration of $2,964,512. In connection with this transaction, the Company recorded a reduction to additional paid-in capital of $2,684,896 representing the excess of the amount paid over the carrying value ($279,616) of the non-controlling interests acquired as the acquisition of an additional interest in a less than wholly-owned subsidiary where control is maintained is treated as an equity transaction. In addition, the Company also recorded an increase to additional paid-in capital in the amount of $1,079,591 representing the related deferred tax benefit of the transaction.

As a result of the above, Ark Hollywood/Tampa Investment, LLC is no longer considered a VIE as the Company now owns 64.39% of the voting membership interests. However, the Company continues to consolidate this entity as a result of its majority ownership. Accordingly, the following disclosures associated with the Company's VIEs do not include Ark Hollywood/Tampa Investment, LLC as of September 28, 2013:

	September 27, 2014		September 28, 2013	
	(in thousands)			
Cash and cash equivalents	$	584	$	637
Accounts receivable		440		317
Inventories		19		16
Prepaid expenses and other current assets		173		176
Due from Ark Restaurants Corp. and affiliates (1)		105		157
Fixed assets - net		59		89
Other assets		71		71
Total assets	$	1,451	$	1,463
Accounts payable - trade	$	58	$	70
Accrued expenses and other current liabilities		179		140
Operating lease deferred credit		75		-
Total liabilities		312		210
Equity of variable interest entities		1,139		1,253
Total liabilities and equity	$	1,451	$	1,463

(1) Amounts due from Ark Restaurants Corp. and affiliates are eliminated upon consolidation.

The liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the consolidated VIEs. Conversely, assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company's general assets.

3. RECENT RESTAURANT EXPANSION

On November 28, 2012, a subsidiary of the Company entered into an agreement to design and lease a restaurant at the Tropicana Hotel and Casino in Atlantic City, NJ. The cost to construct this restaurant was approximately $1,500,000. The initial term of the lease for this facility expires June 7, 2023 and has two five-year renewals. The restaurant, *Broadway Burger Bar and Grill*, opened during the third quarter of fiscal 2013 and, as a result, the Consolidated Statement of Income for the year ended September 28, 2013 includes approximately $100,000 of pre-opening and early operating losses related to this property.

On February 24, 2014, the Company, through a wholly-owned subsidiary, Ark Rustic Inn LLC, completed its acquisition of the assets of *The Rustic Inn Crab House* ("*The Rustic Inn*"), a restaurant and bar located in Dania Beach, Florida, for a total purchase price of approximately $7,710,000. The acquisition is accounted for as a business combination and was financed with a bank loan in the amount of $6,000,000 and cash from operations. The fair values of the assets acquired were allocated as follows:

Inventory	$	210,000
Land		2,000,000
Building		2,800,000
Furniture, fixtures and equipment		200,000
Trademarks		500,000
Goodwill		2,000,000
	$	7,710,000

The Consolidated Statements of Income for the year ended September 27, 2014 include revenues and operating income of approximately $8,753,000 and $1,301,000, respectively, related to *The Rustic Inn*. Transaction costs incurred in the amount of approximately $150,000 are included in general and administrative expenses in the Consolidated Statement of Income for the year ended September 27, 2014. The Company expects the Goodwill and indefinite life Trademarks to be deductible for tax purposes.

The unaudited pro forma financial information set forth below is based upon the Company's historical Consolidated Statements of Income for the years ended September 27, 2014 and September 28, 2013. The unaudited pro forma financial information is presented for informational purposes only and may not be indicative of what actual results of operations would have been had the acquisition of The Rustic Inn occurred on the dates indicated, nor does it purport to represent the results of operations for future periods.

	Year Ended	
	September 27, 2014	September 28, 2013
	(in thousands, except per share amounts)	
Total revenues	$ 144,430	$ 142,643
Net income	$ 5,254	$ 4,652
Net income per share - basic	$ 1.59	$ 1.43
Net income per share - diluted	$ 1.53	$ 1.38

On July 18, 2014, the Company, through a wholly-owned subsidiary, Ark Jupiter RI, LLC, entered into an agreement with Crab House, Inc., and acquired certain assets and the related lease for a restaurant and bar located in Jupiter, Florida for approximately $250,000. In connection with this transaction, the Company entered into an amended lease for an initial period expiring through December 31, 2015. The Company has the option to extend the lease through 2033. The Company is currently renovating the property, which is expected to cost approximately $750,000, and anticipates it will open during the first quarter of fiscal 2015.

4. RECENT RESTAURANT DISPOSITIONS

Lease Expirations – The Company was advised by the landlord that it would have to vacate *The Sporting House* property located in New York-New York Hotel and Casino in Las Vegas, NV which was on a month-to-month lease. The closure of this property occurred in June 2014 and did not result in a material charge.

On May 31, 2014, the Company's lease at the *Rialto Deli* located at the Venetian Casino Resort in Las Vegas, NV expired. The closure of this property did not result in a material charge.

Other – On October 29, 2012, the Company suffered a flood at its *Red* and *Sequoia* properties located in New York, NY as a result of a hurricane. The Company did not reopen these properties as the underlying leases were due to expire in the second quarter of fiscal 2013. Losses related to the closure of these properties, in the amount of $256,000, are included in Other Operating Costs and Expenses in the Consolidated Statement of Income for the year ended September 28, 2013.

5. NOTE RECEIVABLE

On June 7, 2011, the Company entered into a 10-year exclusive agreement to manage a yet to be constructed restaurant and catering service at Basketball City in New York City in exchange for a fee of $1,000,000. Under the terms of the agreement, the owner of the property was to construct the facility at their expense and the Company was to pay the owner an annual fee based on sales, as defined in the agreement. Since the owner had not delivered the facility to the Company within the specified timeframe, the parties executed a promissory note for repayment of the $1,000,000 exclusivity fee. The note bears interest at 4.0% per annum and the remaining principal balance is payable in 41 equal monthly installments of approximately $9,000. As of September 27, 2014, the outstanding balance of this note receivable was approximately $253,000.

6. INVESTMENT IN NEW MEADOWLANDS RACETRACK

On March 12, 2013, the Company made a $4,200,000 investment in the New Meadowlands Racetrack LLC ("NMR") through its purchase of a membership interest in Meadowlands Newmark, LLC, an existing member of NMR. On November 19, 2013, the Company invested an additional $464,000 in NMR through a purchase of an additional membership interest in Meadowlands Newmark, LLC resulting in a total ownership of 11.6%. In addition to the Company's ownership interest in NMR, if casino gaming is approved at the Meadowlands and NMR is granted the right to conduct said gaming, the Company shall be granted the exclusive right to operate the food and beverage concessions in the gaming facility with the exception of one restaurant. This investment has been accounted for based on the cost method and is included in Other Assets in the accompanying Consolidated Balance Sheets at September 27, 2014 and September 28, 2013. The Company periodically reviews its investments for impairment. If the Company determines that an other-than-temporary impairment has occurred, it will write-down the investment to its fair value. No indication of impairment was noted as of September 27, 2014.

In conjunction with this investment, the Company, through a 97% owned subsidiary, Ark Meadowlands LLC ("AM VIE"), also entered into a long-term agreement with NMR for the exclusive right to operate food and beverage concessions serving the new raceway facilities (the "Racing F&B Concessions") located in the new raceway grandstand constructed at the Meadowlands Racetrack in northern New Jersey. Under the agreement, NMR is responsible to pay for the costs and expenses incurred in the operation of the Racing F&B Concessions, and all revenues and profits thereof inure to the benefit of NMR. AM VIE receives an annual fee equal to 5% of the net profits received by NMR from the Racing F&B Concessions during each calendar year. At September 27, 2014, it was determined that AM VIE is a variable interest entity. However, based on qualitative consideration of the contracts with AM VIE, the operating structure of AM VIE, the Company's role with AM VIE, and that the Company is not obligated to absorb any expected losses of AM VIE, the Company has concluded that it is not the primary beneficiary and not required to consolidate the operations of AM VIE.

The Company's maximum exposure to loss as a result of its involvement with AM VIE is limited to a receivable from AM VIE's primary beneficiary (NMR, a related party) which aggregated approximately $266,000 at September 27, 2014 and is included in Prepaid Expenses and Other Current Assets in the Consolidated Balance Sheet.

On April 25, 2014, the Company loaned $1,500,000 to Meadowlands Newmark, LLC. The note bears interest at 3%, compounded monthly and added to the principal, and is due in its entirety on January 31, 2024. The note may be prepaid, in whole or in part, at any time without penalty or premium. The principal and accrued interest related to this note is included in Other Assets in the Consolidated Balance Sheet at September 27, 2014.

7. FIXED ASSETS

Fixed assets consist of the following:

	September 27, 2014	September 28, 2013
	(In thousands)	
Land and building	$ 4,800	$ -
Leasehold improvements	43,223	41,987
Furniture, fixtures and equipment	34,753	33,249
Construction in progress	266	-
	83,042	75,236
Less: accumulated depreciation and amortization	54,023	50,219
	$ 29,019	$ 25,017

Depreciation and amortization expense related to fixed assets for the years ended September 27, 2014 and September 28, 2013 was $4,596,000 and $4,295,000, respectively.

Management continually evaluates unfavorable cash flows, if any, related to underperforming restaurants. Periodically it is concluded that certain properties have become impaired based on their existing and anticipated future economic outlook in their respective markets. In such instances, we may impair assets to reduce their carrying values to fair values. Estimated fair values of impaired properties are based on comparable valuations, cash flows and/or management judgment. No impairment charges were necessary for the years ended September 27, 2014 and September 28, 2013.

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	September 27, 2014	September 28, 2013
	(In thousands)	
Purchased leasehold rights (a)	$ 2,337	$ 2,343
Noncompete agreements and other	213	283
	2,550	2,626
Less accumulated amortization	2,455	2,613
Total intangible assets	$ 95	$ 13

(a) Purchased leasehold rights arose from acquiring leases and subleases of various restaurants.

Amortization expense related to intangible assets for each of the years ended September 27, 2014 and September 28, 2013 was $23,000 and $8,000, respectively.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	September 27, 2014	September 28, 2013
	(In thousands)	
Sales tax payable	$ 833	$ 783
Accrued wages and payroll related costs	1,532	1,435
Customer advance deposits	3,895	3,356
Accrued occupancy, gift cards and other operating expenses	4,076	3,701
	$ 10,336	$ 9,275

10. NOTES PAYABLE

Treasury Stock Repurchase **–** On December 12, 2011, the Company, in a private transaction, purchased 250,000 shares of its common stock at a price of $12.50 per share, or a total of $3,125,000. Upon the closing of the purchase, the Company paid the seller $1,000,000 in cash and issued an unsecured promissory note to the seller for $2,125,000. The note bears interest at 0.19% per annum, and is payable in 24 equal monthly installments of $88,541, commencing on December 1, 2012. As of September 27, 2014, the outstanding note payable balance was approximately $178,000.

Bank **–** On February 25, 2013, the Company issued a promissory note, secured by all assets of the Company, to a bank for $3,000,000. The note bore interest at LIBOR plus 3.0% per annum, and was payable in 36 equal monthly installments of $83,333, commencing on March 25, 2013. On February 24, 2014, in connection with the acquisition of The Rustic Inn, the Company borrowed an additional $6,000,000 from this bank under the same terms and conditions as the original loan which was consolidated with the remaining principal balance from the original borrowing at that date. The new loan is payable in 60 equal monthly installments of $134,722, which commenced on March 25, 2014. As of September 27, 2014, the outstanding balance of this note payable was approximately $7,140,000.

The loan agreement provides, among other things, that the Company meet minimum quarterly tangible net worth amounts, as defined, and minimum annual net income amounts, and contains customary representations, warranties and affirmative covenants. The agreement also contains customary negative covenants, subject to negotiated exceptions, on liens, relating to other indebtedness, capital expenditures, liens, affiliate transactions, disposal of assets and certain changes in ownership. The Company was in compliance with all debt covenants as of September 27, 2014.

As of September 27, 2014, the aggregate amounts of notes payable maturing in the next five years are as follows:

2015	$ 1,794
2016	1,617
2017	1,617
2018	1,617
2019	673
	$ 7,318

11. COMMITMENTS AND CONTINGENCIES

Leases — The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2032. Most of the leases provide for the payment of base rents plus real estate taxes, insurance and other expenses and, in certain instances, for the payment of a percentage of the restaurants' sales in excess of stipulated amounts at such facility and in one instance based on profits.

As of September 27, 2014, future minimum lease payments under noncancelable leases are as follows:

Fiscal Year	Amount (In thousands)
2015	$ 9,230
2016	8,840
2017	7,492
2018	5,620
2019	4,489
Thereafter	27,429
Total minimum payments	$ 63,100

In connection with certain of the leases included in the table above, the Company obtained and delivered irrevocable letters of credit in the aggregate amount of approximately $388,000 as security deposits under such leases.

Rent expense was approximately $13,686,000 and $14,117,000 for the fiscal years ended September 27, 2014 and September 28, 2013, respectively. Contingent rentals, included in rent expense, were approximately $4,903,000 and $4,811,000 for the fiscal years ended September 27, 2014 and September 28, 2013, respectively.

Legal Proceedings — In the ordinary course its business, the Company is a party to various lawsuits arising from accidents at its restaurants and worker's compensation claims, which are generally handled by the Company's insurance carriers. The employment by the Company of management personnel, waiters, waitresses and kitchen staff at a number of different restaurants has resulted in the institution, from time to time, of litigation alleging violation by the Company of employment discrimination laws. Management believes, based in part on the advice of counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

12. STOCK OPTIONS

The Company has options outstanding under two stock option plans, the 2004 Stock Option Plan (the "2004 Plan") and the 2010 Stock Option Plan (the "2010 Plan"), which was approved by shareholders in the second quarter of 2010. Effective with this approval, the Company terminated the 2004 Plan. This action terminated the 400 authorized but unissued options under the 2004 Plan, but it did not affect any of the options previously issued under the 2004 Plan. Options granted under the 2004 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire ten years after the date of grant.

The 2010 Stock Option Plan is the Company's only equity compensation plan currently in effect. Under the 2010 Stock Option Plan, 500,000 options were authorized for future grant. Options granted under the 2010 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire ten years after the date of grant.

During the year ended September 27, 2014, options to purchase 205,500 shares of common stock at an exercise price of $22.50 per share were granted employees and directors of the Company. Such options are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to the remaining 50% commencing on the second anniversary of the date of grant. The grant date fair value of these stock options was $4.03 per share.

The fair value of each of the Company's stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company's common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2014 grant include a risk free interest rate of 2.62%, volatility of 33.8%, a dividend yield of 6.0% and an expected life of 6.25 years.

The following table summarizes stock option activity under all plans:

	2014				2013		
	Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding, beginning of year	623,100	$ 19.69	5.5 Years		648,100	$ 19.56	
Options:							
Granted	205,500	$ 22.50			-		
Exercised	(124,439)	$ 13.29			(9,300)	$ 13.11	
Canceled or expired	-				(15,700)	$ 17.87	
Outstanding and expected to vest, end of year (a)	704,161	$ 21.66	5.7 Years	$ 2,350,258	623,100	$ 19.69	$ 3,264,802
Exercisable, end of year (a)	498,661	$ 21.31	4.1 Years	$ 2,350,258	503,950	$ 20.95	$ 2,396,199
Weighted average remaining contractual life	5.7 Years				5.5 Years		
Shares available for future grant	40,000				248,500		

(a) Options become exercisable at various times and expire at various dates through 2024.

The following table summarizes information about stock options outstanding as of September 27, 2014:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual life (in years)
$12.04	96,361	$ 12.04	4.6	96,361	$ 12.04	4.6
$14.40	175,800	$ 14.40	7.7	175,800	$ 14.40	7.7
$22.50	205,500	$ 22.50	9.7	-	$ 22.50	9.7
$29.60	136,500	$ 29.60	0.2	136,500	$ 29.60	0.2
$32.15	90,000	$ 32.15	2.2	90,000	$ 32.15	2.2
	704,161	$ 21.66	5.7	498,661	$ 21.31	4.1

Compensation cost charged to operations for the fiscal years ended September 27, 2014 and September 28, 2013 for share-based compensation programs was approximately $349,000 and $317,000, respectively. The compensation cost recognized is classified as a general and administrative expense in the Consolidated Statements of Income.

As of September 27, 2014, there was approximately $713,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of approximately 1.75 years.

13. INCOME TAXES

The provision for income taxes attributable to continuing operations consists of the following:

	Year Ended September 27, 2014	Year Ended September 28, 2013
	(In thousands)	
Current provision:		
Federal	$ 2,029	$ 519
State and local	154	188
	2,183	707
Deferred benefit:		
Federal	(169)	983
State and local	(239)	251
	(408)	1,234
	$ 1,775	$ 1,941

The effective tax rate differs from the U.S. income tax rate as follows:

	Year Ended September 27, 2014	Year Ended September 28, 2013
	(In thousands)	
Provision at Federal statutory rate (34% in 2014 and 2013)	$ 2,707	$ 2,398
State and local income taxes, net of tax benefits	(123)	265
Tax credits	(655)	(531)
Income attributable to non-controlling interest	(432)	(437)
Other	278	246
	$ 1,775	$ 1,941

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	September 27, 2014	September 28, 2013
	(In thousands)	
Long-term deferred tax assets (liabilities):		
State net operating loss carryforwards	$ 3,855	$ 3,665
Operating lease deferred credits	888	974
Depreciation and amortization	(10)	(464)
Deferred compensation	1,322	1,524
Partnership investments	(411)	(460)
Other	102	95
Total long-term deferred tax assets	5,746	5,334
Valuation allowance	(532)	(528)
Total net deferred tax assets	$ 5,214	$ 4,806

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The deferred tax valuation allowance of $532,000 and $528,000 as of September 27, 2014 and September 28, 2013, respectively, was attributable to state and local net operating loss carryforwards which are not realizable on a more-likely-than-not basis.

A reconciliation of the beginning and ending amount of unrecognized tax benefits excluding interest and penalties is as follows:

	September 27, 2014	September 28, 2013
	(In thousands)	
Balance at beginning of year	$ 162	$ 209
Reductions due to settlements with taxing authorities	-	(31)
Reductions as a result of a lapse of the statute of limitations	-	(16)
Balance at end of year	$ 162	$ 162

The entire amount of unrecognized tax benefits if recognized would reduce our annual effective tax rate. As of September 27, 2014, the Company accrued approximately $116,000 of interest and penalties. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions' tax court systems.

The Company files tax returns in the U.S. and various state and local jurisdictions with varying statutes of limitations. The 2011, 2012 and 2013 fiscal years remain subject to examination by the Internal Revenue Service. The 2010 through 2013 fiscal years generally remain subject to examination by most state and local tax authorities.

14. OTHER INCOME

Other income consists of the following:

	Year Ended September 27, 2014	Year Ended September 28, 2013
	(In thousands)	
Licensing fees	$ 141	$ 79
Other rentals	215	5
Insurance proceeds	106	393
Other	26	31
	$ 488	$ 508

15. INCOME PER SHARE OF COMMON STOCK

A reconciliation of the numerators and denominators of the basic and diluted per share computations for the fiscal years ended September 27, 2014 and September 28, 2013 follows:

	Net Income Attributable to Ark Restaurants Corp. (Numerator)	Shares (Denominator)	Per Share Amount
	(In thousands, except per share amounts)		
Year ended September 27, 2014			
Basic EPS	$ 4,915	3,296	$ 1.49
Stock options	-	134	(0.06)
Diluted EPS	$ 4,915	3,430	$ 1.43
Year ended September 28, 2013			
Basic EPS	$ 3,825	3,246	$ 1.18
Stock options	-	125	(0.05)
Diluted EPS	$ 3,825	3,371	$ 1.13

For the year ended September 27, 2014, options to purchase 96,361 shares of common stock at a price of $12.04 and options to purchase 175,800 shares of common stock at a price of $14.40 were included in diluted earnings per share. Options to purchase 136,500 shares of common stock at a price of $29.60, options to purchase 90,000 shares of common stock at a price of $32.15 per share and options to purchase 205,500 shares of common stock at a price of $22.50 per share were not included in diluted earnings per share as their impact would be anti-dilutive.

For the year ended September 28, 2013, options to purchase 158,300 shares of common stock at a price of $12.04 and options to purchase 238,300 shares of common stock at a price of $14.40 were included in diluted earnings per share. Options to purchase 136,500 shares of common stock at a price of $29.60 and options to purchase 90,000 shares of common stock at a price of $32.15 per share were not included in diluted earnings per share as their impact would be anti-dilutive.

16. RELATED PARTY TRANSACTIONS

Employee receivables totaled approximately $399,000 and $346,000 at September 27, 2014 and September 28, 2013, respectively. Such amounts consist of loans that are payable on demand and bear interest at the minimum statutory rate (0.36% at September 27, 2014 and 0.16% at September 28, 2013).

17. SUBSEQUENT EVENT

On December 15, 2014, the Board of Directors declared a quarterly dividend of $0.25 per share on the Company's common stock to be paid on January 9, 2015 to shareholders of record at the close of business on December 24, 2014.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Michael Weinstein
Chairman and Chief Executive Officer

Robert J. Stewart
President, Chief Financial Officer and Treasurer

Vincent Pascal
Senior Vice President --- Senior Vice President and Chief Operating Officer

Paul Gordon
Senior Vice President --- Director of Las Vegas Operations

Marcia Allen
Chief Executive Officer, Allen & Associates

Bruce R. Lewin
Chairman and President, Continental Hosts, Ltd.

Steve Shulman
President, Managing Director, Hampton Group Inc.

Arthur Stainman
Senior Managing Director, First Manhattan Co.

Stephen Novick
Senior Advisor, Andrea and Charles Bronfman Philanthropies

EXECUTIVE OFFICES

85 Fifth Avenue
New York, NY 10003
(212) 206-8800

AUDITORS

CohnReznick LLP
1212 Avenue of the Americas
New York, NY 10036

TRANSFER AGENT

Continental Stock Transfer & Trust Company
17 Battery Place
New York, NY 10004