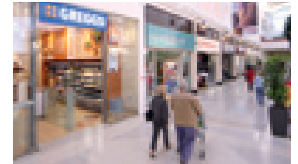
The home of fresh baking™

Annual Report & Accounts 2009

Business parks

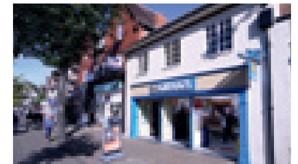
City centres

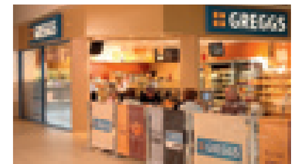
Airports


Regional shopping centres

Industrial and enterprise parks

Retail parks


High streets



Local shopping centres

Roadsides

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The home of fresh baking

Greggs is the leading bakery retailer in the UK. Expert bakers for the last 70 years, we serve delicious, freshly baked, quality food at great value prices to a million customers each day, in over 1,400 shops around the UK.

We take enormous pride in our food, hand making all our sandwiches and baking all our savouries each day in our shops to give our customers unrivalled freshness.

We have ten regional bakeries delivering daily to our shops with our fleet of 375 vehicles. We also have 90 instore bakeries each with their own dedicated skilled craft baker.

Greggs can be found on the UK's high streets, local shopping parades and, increasingly, retail, industrial and business parks, airports, bus/rail interchanges, universities and other locations where people live, work, travel and spend their leisure time.

We employ nearly 19,000 people and have ambitious plans for the future. We plan to add 600 new shops in the coming years, creating up to 6,000 new jobs.

Financial highlights

	2009	2008 Before exceptional items	2008 After exceptional items
	£m	£m	£m
Turnover	658.2	628.2	628.2
Like–for–like sales growth	0.8%	4.4%	4.4%
Operating profit	48.4	44.3	48.6
Pre–tax profit	48.8	45.2	49.5
	Pence	Pence	Pence
Earnings per share	34.1	30.7	33.6
Dividend per ordinary share	16.6	14.9	14.9

Our vision

Our vision is to be the number one for sandwiches and savouries from a united team who are passionate about being the best in bakery.

For our customers

We offer a wide range of fresh, delicious, quality bakery food. Every single sandwich we sell is handmade in our shops each day by our highly trained staff, on our own bread from our bakery. All our savouries are freshly baked in the ovens in our shops throughout the day. In our bakeries we hand finish millions of products each week. We believe we are different because we make and bake most of our food from scratch. Our people are passionate about baking and each product is carefully prepared to give our customers quality and freshness at great value prices.

For our people

We never forget that it's our people who make us a successful company. That's why we want all our people to feel individually valued and looked after, and for each person to share in the Company's success. Ten per cent of our profits are shared with our people through our profit share scheme, ensuring that the interests of our shareholders and our people are aligned.

For our communities

We promise to continue to make a difference to people's lives. Through our award winning Greggs Breakfast Club scheme, Children's Cancer Runs, the Greggs Foundation and other fundraising activities, we strive to make a positive impact on local communities in the areas where we operate.

For our shareholders

We have a proven track record of success and return on investment. Importantly, in today's economic climate, more than ever, we offer the assurance and commitment that our business is run with integrity and that we are a responsible company. We are proud that Greggs is a trusted, valued and respected business.

Our values

Greggs began as a family business and we have retained good, honest family values as the business has grown.

Our values are our commitment to the way we treat each other. We aspire to be a company that everyone is proud to shop with. Our values apply to all our customers, our people, our shareholders and our suppliers.

We will be enthusiastic and supportive in all that we do, open, honest and appreciative, treating everyone with fairness, consideration and respect.

Directors' Report and Business Review for the 53 weeks ended 2 January 2010

The directors have pleasure in presenting their annual report and the audited accounts for the 53 weeks ended 2 January 2010. The comparative period is the 52 weeks ended 27 December 2008.

The directors' report and business review is set out on pages 8 to 35.

Chairman's Statement

I am pleased to report a year of significant progress, in which we have achieved our key objectives despite the pressures of a harsh recession. We have delivered a record underlying operating profit while completing a major programme of reorganisation to create the right structure for future growth. Greggs enters the expansion phase of our strategy with strong finances and a clear vision for the future.

Recipe for success

Results

Total Group sales for the 53 weeks ended 2 January 2010 increased by 4.8 per cent to £658 million (2008: £628 million), including a 1.5 per cent contribution from the 53rd week. Like–for–like sales increased by 0.8 per cent.

Operating profit grew by 9.3 per cent to £48.4 million (2008: £44.3 million excluding exceptional items). Operating margin on this basis was 7.4 per cent (2008: 7.1 per cent). Net finance income was £0.3 million (2008: £0.9 million), reflecting low market interest rates.

Pre–tax profit was £48.8 million, an increase of 8.0 per cent on the 2008 profit of £45.2 million (excluding a net exceptional credit of £4.3 million relating to one–off property gains, restructuring costs and an exceptional pension credit). Including the net exceptional credit last year, pre–tax profit in 2008 was £49.5 million.

The Group tax charge for the year was 29.5 per cent (2008: 31.1 per cent), reflecting a reduction in the corporation tax rate and the favourable settlement of prior year claims. Diluted earnings per share were 34.0 pence (2008: 30.6 pence excluding the net exceptional credit), an increase of 11.1 per cent. Including the net exceptional credit last year, diluted earnings per share in 2008 were 33.5 pence.

In 2009, we were named No.1 British Bakery Retailer in the British Baker's top 50 companies

Dividend

The Board recommends an increased final dividend of 11.4 pence per share (2008: 10.0 pence). Together with the interim dividend of 5.2 pence (2008: 4.9 pence) paid in October 2009, this makes a total for the year of 16.6 pence (2008: 14.9 pence), an increase of 11.4 per cent. This is covered 2.0 times by diluted earnings per share.

Subject to the approval of the Annual General Meeting the final dividend will be paid on 21 May 2010 to shareholders on the register on 23 April 2010.

This is the 25th consecutive year of dividend growth since Greggs floated on the stock market in 1984; a record that few companies can match. The Board remains committed to pursuing a progressive dividend policy that pays due regard to the growth of earnings per share over the medium term, the cash generative nature of our growing business and our continuing determination to deliver value to our shareholders.

Business highlights

Key achievements during a year of major change included the completion of our programme to make the business more centrally driven, reorganising from 11 bakery divisions to seven retail regions and strengthening our central capabilities in a number of key areas, including the creation of a new Trading function.

We harmonised our product ranges across the country; removed all artificial colours and HVOs (hydrogenated vegetable oils) and trans fats from our own products, and provided consumers with nutritional information on our core ranges.

We rebranded almost two thirds of our Bakers Oven shops to create a single Greggs brand throughout the UK and withdrew from our small, loss–making business in Belgium.

This would have constituted a very full year of activity under any conditions; it has been a remarkable accomplishment whilst also dealing with the effects of the recession and keeping the performance of the business on track. Our Chief Executive, Kennedy McMeikan, comments on the business performance and our strategy in more detail in his report.

The Board

Iain Ferguson CBE (54) joined the Board as an additional non–executive director on 31 March 2009. Iain was Chief Executive of Tate & Lyle PLC from 2003 – 2009. He is a non–executive director of Balfour Beatty and The Davis Service Group, a member of the PricewaterhouseCoopers (UK) Advisory Board, currently Honorary Vice–President of the British Nutrition Foundation and a member of Defra's Council of Food Policy Advisers. His extensive knowledge and experience of the food industry, particularly in manufacturing, have made him a most valuable addition to our Board.

In 2009 Sir Michael Darrington retired from the Board at the Annual General Meeting after 26 years of distinguished service. Mike was also a tremendous support to Kennedy McMeikan when he joined as Chief Executive, ensuring a smooth and effective handover, and I would like to wish him a long and very happy retirement.

Kennedy McMeikan, Sir Michael Darrington and Ian Gregg receiving the Honorary Freedom of the City of Newcastle upon Tyne from the Lord Mayor Cllr Mike Cookson.

Greggs in the community

In February 2010, Greggs plc was awarded the Honorary Freedom of the City of Newcastle upon Tyne in recognition of our contribution to the North East economy and our charitable work in local communities over the last 20 years. We are most grateful to the City Council for bestowing this rare honour, which particularly reflects the consistent determination of Ian Gregg and Sir Michael Darrington to build a business with sound values and a real commitment to supporting the communities in which we operate. I am delighted that our Chief Executive, Kennedy McMeikan, and indeed the whole Board, show a genuine passion to continue this tradition.

People

Our people, and the pride and pleasure they clearly take in their work, are a key point of difference for Greggs. My colleagues and I have huge admiration for the way in which they have continued to provide cheerful and effective service to our customers while coping with the pressures of the general economic downturn and the implementation of significant changes across our business.

On behalf of the Board, I would like to thank every one of them for their contribution to another successful year.

Prospects

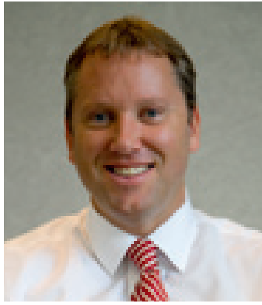
The forthcoming election, and concerns about job security and possible tax rises, only makes for an uncertain outlook for consumer spending in the current year. Greggs' reputation for outstanding value and great quality will remain an important asset under these conditions. In this context we have considered it sensible to plan for like–for–like sales growth to be marginally positive this year and to manage our costs so that they remain consistent with this challenging trading environment. The current outlook for ingredient costs is reasonably benign and we expect further cost benefits from the simplification of the business completed during 2009. Total sales in the ten weeks to 13 March 2010 have increased by 2.8 per cent and like–for–like sales by 0.8 per cent.

Last year's major changes have given us the right platform to accelerate the rate of both new shop openings and refurbishments in the current year, supported by our recently announced investment plans to increase the efficiency and capacity of our bakeries. We have also begun a major new marketing campaign designed to increase consumer awareness of Greggs' bakery heritage and of our core proposition as "The home of fresh baking". Throughout the business, we remain focused on raising our standards ever higher, whether in quality, efficiency or customer service.

We look forward to bringing the unique Greggs combination of freshness, quality, taste and value to many more consumers as our expansion programme gains pace, and believe that we are well placed to achieve a year of further progress in 2010.

Derek Netherton
Chairman
18 March 2010

Chief Executive's Report



I am delighted that the significant changes we introduced throughout 2009 have put us in excellent shape to make Greggs accessible to even more consumers through a faster programme of shop openings. In the coming year we will be doubling the number of shops we refurbish and also undertaking the previously announced investment in our supply chain to maximise the many opportunities we have identified for expansion across the UK.

The right Ingredients

Trading performance

We stated in the last annual report that, in the light of the general economic climate, we had budgeted for marginally positive like–for–like sales during 2009, and the final outturn was very much as we had anticipated. In the first 26 weeks, like–for–like sales increased by 1.5 per cent and were flat during the second half, giving an increase of 0.8 per cent over the year as a whole. An important factor in the slowing like–for–like sales trend, seen across the food retailing industry, was a reduction in selling price inflation year–on–year as input costs began to stabilise following the major increases in ingredient and energy prices during 2008.

Our operating margin improved to 7.4 per cent (2008: 7.1 per cent) reflecting the initial benefits of centralisation, a reduction in waste and sensible control of labour costs in a difficult trading environment.

Preparing for accelerated growth

During the year we implemented considerable changes which have made the business simpler and more efficient to run. We are already seeing benefits from the changes we have made to our operating structure and the harmonisation of our product range. Of fundamental importance was the creation of **a centrally run business** and the significance of these changes should not be underestimated. We achieved this by:

- **reorganising** our previous 11 bakery divisions into seven new retail regions;
- organising our 10 bakeries, 2 distribution centres, transport teams and central savoury production facility into a single **Supply Chain Function** to concentrate on supporting the planned growth in the business whilst delivering significant efficiency improvements;
- strengthening our **Central Support** teams to handle more of our accounting, administration and IT support; and
- creating a **Trading** function under a newly appointed Group Trading Director to focus on range, new product development, promotions, pricing, sourcing and margin.

All of this will free up our **Retail** teams to concentrate on delivering excellent service and raising standards still further in our shops. They will also be working with our expanded **Property** team to open more new shops and double the number of refits we undertake.

We harmonised 80 per cent of our product range throughout the country, while fulfilling our commitments to remove all artificial colours, HVOs (hydrogenated vegetable oils) and trans fats from the products we make ourselves. By harmonising our range, we have been able to provide customers with **nutritional information** in store on our core range of sandwiches, savouries and drinks.

We also **created a single brand** throughout the UK by converting 60 per cent of our 164 Bakers Oven shops to the Greggs fascia, with the remainder scheduled for completion during 2010.

Our customers

Greggs serves a million customers every day. In a recessionary climate, with particular uncertainty caused by fears of job losses and tax rises, our customers naturally look to make their money go as far as possible. We have maintained our focus on delivering the outstanding value for which Greggs has long been renowned whilst not compromising on the quality of our products. This has undoubtedly contributed to our ability to sustain like–for–like sales growth throughout the recession.

We have also listened and responded to our customers by increasing the pace of our product innovation and offering even greater choice of range. In addition we have also launched a much wider range of sandwiches without mayonnaise, with a third of our range now 'mayo free'.

Our new marketing campaign, launched in February 2010, promotes Greggs as "The home of fresh baking". This is very much a return to our roots and reiterates what has always made Greggs special: our people and our products, who together fill the starring roles in our new generation of TV commercials. By re–emphasising the freshness and quality of our bread, rolls, savouries, sandwiches and cakes, we aim to extend awareness of our key proposition as the nation's favourite retail baker.

Being a baker as well as a retailer gives Greggs a real competitive advantage and our aim is to communicate these key messages to an even wider audience who may not know what makes Greggs so special.

Our products

80 per cent of our product range is now harmonised across our 1,400–plus shops. Critically though, the remaining 20 per cent of the range comprises regional and local specialities, which our customers love and expect us to continue making for them.

We increased the amount of new product development, launching a total of 22 new products during the year, compared with nine in 2008.

Following a successful trial in the North West, our breakfast offer is now available across the whole of the UK, comprising bacon or sausage in a fresh, Greggs–baked roll. We believe that this presents a good opportunity for sales growth in our quieter, early morning period.

Our shops

Last year we opened 49 new shops and closed 39, making a net addition of 10 new shops and giving us a total of 1,419 at the year–end. The rate of shop closures was higher than usual as a result of the sale of our 10 shops in Belgium and the closure of 10 Bakers Oven shops as part of our restructuring to a single brand. We also maintained a firm approach to lease renewals, which we believe makes sound business sense in the current retail and property climate.

We are planning to open a net 50 – 60 new shops during the current year, with around two thirds of these openings due to take place during the second half. The shop opening programme is proceeding at a sensible pace, balanced by our desire to only open in optimum locations. There are positive signs of increasing realism about the value of leases, though landlords continue to prefer to offer incentives to new tenants rather than to improve their headline terms.

Given the increasing proportion of empty retail space on the high street, we continue to argue that the existence of upward–only rent reviews imposes an inappropriate pressure on retailers. In rent reviews over the next 12 – 18 months, we expect to see many rents frozen when they would have fallen in an open market. We continue to urge the Government to consider the enlightened example of the Irish government in abolishing upward–only rent reviews.

We have identified opportunities to open new shops right across the UK, from the south west of England to the north east of Scotland, making Greggs accessible to the more than 50 per cent of the UK population who currently do not have a Greggs shop near to them. In total, we see scope for more than 600 new shops, and currently expect to increase the pace of net new openings from 50 – 60 in the current year to 70–plus from 2011.

As part of this expansion we will continue to diversify our estate by opening more shops in places where customers work and travel, as well as in traditional high street and suburban locations. Almost 30 per cent of our 49 new shops in 2009 were in non–traditional locations, such as industrial estates, business parks, hospitals, universities, garage forecourts, airports and bus stations. We expect this proportion to increase to around 50 per cent of new shops as our opening programme gathers pace in future years.

During the year we trialled three new concept shops in the south of England. Key features of these shops are that they provide more comfortable browsing of our products, more of which are available for self–selection rather than behind counters in a traditional Greggs. Wherever possible they also make more space available to our customers and provide some seating. The results have been encouraging, with sales increasing as customers get to see more of our range. It is also very pleasing that customers rate us even higher for value in these concept shops. This is extremely important to us as exceptional value has always been a great strength of the Greggs offer. The learning from these trials will be progressively applied to a further 24 shops in London during the year.

During 2010 we plan to double the overall number of shop refurbishments with 120 refits throughout the country. This acceleration has been made possible by much hard work to identify and refine a cost–effective refit formula that will allow us to make our shops better for our customers and simpler for our staff, but at a lower refit cost per shop than in the past.

Our supply chain

During 2009 we undertook a fundamental review of our supply chain to establish how we could achieve the optimal production and distribution network for our planned growth to more than 2,000 shops in the UK. We re–evaluated the costs and performance of our integrated bakery and logistics model on a number of different bases, including comparison with outsourced alternatives, and concluded that continuing to make and bake our own products contributes strongly to our profits and gives us a distinct competitive advantage. The review also highlighted the potential for us to supply substantially more shops through our existing bakeries, thus achieving significant efficiency improvements.

As previously announced, our expansion plans for the next five years require an increase in investment in our supply chain to enable us to make Greggs more accessible to consumers across the UK. This capital expenditure will be funded from our strong cash flow and will begin delivering benefits from 2011, ultimately delivering efficiency benefits to the bottom line of at least £10 million per annum by 2014. Our programme of renewing our older bakeries to improve quality, efficiency and their capacity for growth will begin in the second half of this year when we start the building of new bakeries in Newcastle and Penrith. We are also planning for a new bakery in the south of England and expect to have secured a site by the end of the year. Further investment to extend our existing bakeries in Glasgow, Leeds and Birmingham, and to replace our bakery in Twickenham, is planned for 2011 – 2013.

Capital expenditure

Our total capital expenditure in 2009 was £30.3 million (2008: £33.3 million net of capital grant), £3 million below our original budget as we deferred some investment, mainly in our bakeries, until we had completed our supply chain review. In the current year we are budgeting capital expenditure of £45 – 50 million as we double our rate of new shop openings and refits, and begin the first phase of investment in our bakeries to support our plans for shop growth.

Cash flow and balance sheet

The Group remains strongly cash generative and we ended the year with net cash and cash equivalents of £34.6 million (2008: £2.1 million) on the balance sheet. This puts us in an excellent position to fund increasing investment as we enter the expansion phase of our strategy, and to take advantage of other opportunities which may arise to add value for our shareholders.

As the Chairman has stated, we are committed to a progressive dividend policy. In addition, when our plans indicate that we are holding surplus cash, we look to return this to shareholders. Having examined our current circumstances we believe that

Pudsey Bear joins the Greggs team as part of the fundraising efforts for BBC Children in Need 2009.

a cash return up to £15 million is appropriate and we will progress this at a sensible pace using our share buyback authority as we have done in the past.

Corporate Social Responsibility

Our Food. We have eliminated all artificial colours and all HVOs (hydrogenated vegetable oils) and trans fats from our own products. We have already been removing artificial flavours from our products during 2009 and expect to complete this by the middle of 2010.

I am pleased that, as we previously committed, we now have nutritional information about our products available in all of our shops in order to make it easy for customers to make informed dietary choices. This is now available for our national range of sandwiches, savouries and drinks, and will be extended to our sweet products and bread and rolls during 2010.

The Community. Even in a severe recession, Greggs' customers have again proved that they have hearts of gold and helped us to raise £739,000 for the BBC Children in Need appeal during 2009. This was more than double our contribution for 2008 and means that we have raised a total of £1.4 million during the four years of our involvement – a fantastic achievement. Our customers again amazed us with their generosity when they asked us to provide collection points in our shops for the Haiti earthquake appeal; their donations, combined with a £25,000 donation from Greggs, generated a total contribution of £186,000.

I am delighted with the continued good work of the Greggs Foundation and the difference it makes to lives across the UK. We have continued to make substantial contributions to the Foundation which supports a wide range of excellent causes through grants to charitable and community organisations in the areas where we operate.

We are very proud to continue supporting the Greggs Breakfast Clubs in primary schools in disadvantaged areas, where we know that they make a huge contribution to children's attention and learning. I am also very pleased to report that we have been successful in building partnerships with other organisations to help us to open more breakfast clubs. We have also supported the ExpoChef roadshow to explain the importance of healthy cooking and eating to children and their parents in schools.

The Environment. Last year we achieved an 18 per cent reduction in the amount of food waste being sent to landfill, and in 2010 we are setting ourselves a range of stretching environmental targets, including a 25 per cent reduction per shop in our carbon emissions by 2015. We have introduced reusable bags for sale in our shops and the profits from these bags will be dedicated to providing grants for environmental projects through the Greggs Foundation.

In all areas of Corporate Social Responsibility I am hugely impressed by our people's determination to apply Greggs' values and to make a real difference. I am grateful to all of them for the phenomenal enthusiasm they have shown in helping us to achieve so much during 2009.

These and other issues are covered in greater depth in our Corporate Social Responsibility report on pages 20 to 24.

Our people

In the face of the worst recession for many years, our people have displayed quite extraordinary determination and commitment, not only to deliver continued sales growth, but also to implement the many changes in the structure of the business and in our ways of working which have established the platform for our next phase of growth. It is a great illustration of the dedication of our staff that only 15 of our 1,400–plus shops were closed for any length of time during the severe blizzards which swept the country in January.

Our people have done a truly fantastic job in putting us in great shape for the coming year and I am hugely grateful to them all. I am also delighted that they will share in our success through Greggs' profit sharing scheme. We look forward to creating job opportunities for a further 6,000 people through our future plans to grow our shop numbers to more than 2,000 in the UK.

The future

Greggs is a business with a proud history, strong values and a clear vision for the future: "to be the number one for sandwiches and savouries, from a united team who are passionate about being the best in bakery". We have a great reputation that commands huge loyalty among our existing customers, and the spirit of our people is absolutely second to none. All this gives me a high level of confidence in our ability to deliver our vision, as we increase awareness of what we have to offer as "The home of fresh baking".

We aim to meet consumer demand for our great taste, freshness, quality and value by increasing access to Greggs, at a faster rate, in new areas throughout the UK. We will also make our products even more accessible as we further improve the shopping experience in our existing shops through our accelerated and cost–effective refurbishment programme.

The changes of the last year have put us in a strong position to deliver the significant growth opportunities that we have identified, and to fulfil our vision of being the best in bakery. In doing so we will realise further benefits for our staff, customers, shareholders and local communities.

Kennedy McMeikan
Chief Executive
18 March 2010

Corporate Social Responsibility

Greggs is a company that our customers and shareholders can rely on to do the right thing. At Greggs we care about giving our customers quality, fresh bakery food they can trust at affordable prices while minimising our impact on the environment around us. We care that our people are looked after and treated well, and that we provide a great place for them to work. We also want to continue to use our success to help make a difference to those in our communities who face difficulties and challenges, by supporting them wherever we can.

We are pleased to report significant achievements in 2009:

- We removed all artificial colours from the products we make ourselves.
- We removed all added trans fats and hydrogenated vegetable oils (HVOs) from the products we make ourselves.
- We provided nutritional information for our national sandwich, savoury and drinks ranges, to help customers make informed choices about the food they eat.
- In 2009, we opened an additional eight Greggs Breakfast Clubs. We now give over 6,000 primary school children a nutritious breakfast each day.
- We raised an incredible £739,000 for BBC Children in Need, double the amount raised in 2008, thanks to the enthusiasm of our people and the generosity of our customers.
- We helped raise and distribute £1.3 million in 2009 through the Greggs Foundation.
- We diverted 18% of our total food waste away from landfill.
- Our people participated in 11 Big Tidy Up Events in partnership with Keep Britain Tidy across England and Scotland, clearing litter from local communities.
- We reduced the number of carrier bags issued by 18%, building on the 20% reduction achieved in 2008.

In 2009, we reduced the salt content of our bread by more than 10%

Quality, fresh bakery food our customers can trust

Our 2009 targets and commitments:

- ✔ By the end of June 2009, we will have removed all added trans fats, hydrogenated fats and oils from all the products that we make ourselves.
- ✔ We will roll out our national product range so that, by the end of 2009, nutritional information will be available to all our customers in our shops for our savoury, sandwich and drinks ranges.
- ✔ By the end of 2009 we will have removed all artificial colours from the products we make.
- ✔ We will make significant progress towards removal of all artificial flavours from the products we make and achieve this completely by the middle of 2010.
- ✔ We will continue to assess the recipes for all our products, working towards the Food Standards Agency's recommended salt and fat targets for each type of food.

Our targets and commitments for 2010:

- We will remove all artificial flavours from the products we make by the middle of 2010.
- By the end of 2010, nutritional information will be available for our national bread and rolls and confectionery ranges, thus completing the provision of nutritional information for our entire national product range.
- We will reduce the salt, fat and saturated fat content for our products, working towards the Food Standards Agency's 2012 targets.

A great place to work

Our 2009 targets and commitments:

- ✔ By the end of 2009, 100% of employees will have access to private medical treatment for any accidents that may occur in the workplace.
- ✔ We are committed to continuing our Employee Assistance Programme for everyone who works at Greggs.
- ✔ We are committed to maintaining at least 75% of all new shop and area management appointments from internal promotion.
- ✔ We are committed to maintaining 25 bakery apprenticeships through 2009.

Our targets and commitments for 2010:

- In the 2010 Employee Opinion Survey our target is that 75% of our employees participate in the survey and we improve on our 2008 engagement score of 72%.
- Through opening 50–60 net new shops in 2010 we will create circa 500–600 new jobs.
- We will move to a national profit share scheme to ensure every person working at Greggs has an equal opportunity to share in the Company's success.
- We will enhance our management skills and development by delivering a 'coaching skills' programme and a 'high performing teams' programme in 2010.
- We will review and improve our apprentice scheme and aim to have 30 bakery apprenticeships in place by the end of 2010.

Making a difference to our communities

Our 2009 targets and commitments:

- ✔ In 2009, we will continue to invest £225,000 in our 124 Breakfast Clubs and will work to develop partnerships with other organisations to expand the scheme.
- ✔ In 2009, we will maintain our commitment to community grant making through the Greggs Foundation, providing support from our people and donating £300,000.
- ✔ In 2009, we will aim to exceed the £360,000 we raised in 2008 and develop the relationship with BBC Children in Need to continue to engage our staff and customers.
- ✔ In 2009, we will continue to sponsor the North East Children's Cancer Run and hold runs in five other divisions for local children's cancer charities.
- ✔ We will develop our work with Fareshare (and other organisations) to donate more of our unsold food to local charities.
- ✔ 2009 is the third year of our sponsorship of The Sage Gateshead's Children's Room, established as a tribute to the contribution to the business over many years of Ian Gregg and Malcolm Simpson.
- ✔ 2009 is the third year of our investment in a five year North East Enterprise Bond, encouraging new business start ups across the North East.

Our targets and commitments for 2010:

Greggs Breakfast Clubs

- We will grow the number of Breakfast Clubs to at least 150, providing a free, nutritious breakfast to more than 7,000 pupils each school day.
- We will develop partnerships with other organisations to enable further growth of the Breakfast Club scheme.
- We will sponsor Expochef Healthy Food events in 60 Breakfast Club schools in order to promote better understanding of healthy diets amongst pupils and their families.

Support the work of Greggs Foundation in our communities

- We will donate at least 1% of profits to the grant–making and Breakfast Club programmes of Greggs Foundation.
- We will run our first ever national fundraising initiative for Greggs Foundation.

BBC Children in Need appeal

- For the fifth year we will engage our staff and customers in a major national fundraising campaign to support the BBC Children in Need appeal.

Employability

- We will pilot initiatives to use our skills as a major employer to help break the cycle of unemployment for marginalised groups in our communities.

Reducing our impact on the world around us

Our 2009 targets and commitments:

- ✔ We will aim to divert more of our waste away from landfill.
- ✘ We will aim to reduce our total energy consumption.
- ✔ We will aim to increase the amount of our packaging that is made from sustainable sources.
- ✘ We will seek to make reductions in our overall carbon footprint against our 2008 baseline.
- ✔ We will help to tackle litter by further encouraging our customers to dispose of their packaging responsibly, including installing additional signage in our shops and talking to staff and customers to get their ideas on what more we could do.
- ✔ We will continue to work towards increasing the proportion of cardboard, paper and plastic that we recycle from our shops, bakeries and offices.

In 2009 we achieved four of our environmental targets. We trialled a number of ways to reduce energy consumption across our shops to determine the most impactful way of doing this. The trials were completed in quarter 3 hence we were not able to achieve reductions in our total energy consumption for the year. This also meant we were unable to achieve reductions in our overall carbon footprint in 2009. In 2010 we plan to roll out an extensive shop energy reduction programme and have set a stretch target of a 5% reduction per shop for the year. This forms part of a wider carbon management plan through which we will aim to achieve a 25% reduction per shop in our carbon footprint by 2015.

Our targets and commitments for 2010:

- We will aim to achieve a 25% reduction of our carbon footprint by 2015 (measured in tonnes of CO_2 per shop).
- We will aim to achieve a 5% reduction in energy usage per shop against our 2009 consumption.
- We will aim to achieve a 2.5% reduction in carbon generated by our distribution activity.
- We will aim to reduce our bakery waste by 10%.
- We will aim to divert an additional 10% of waste from landfill, building on the 18% diversion achieved in 2009 and the 20% diversion achieved in 2008.
- We will continue to work with Keep Britain Tidy to encourage responsible disposal of litter.

In line with Our Values, Greggs is committed to operating our business responsibly and being a brand our customers and shareholders can trust. We will continue to report our progress against our social responsibility targets annually to our shareholders.

Key performance indicators

KPI	Definition	2005	2006	2007	2008	2009
Total sales growth	(a)	5.8%^	3.3%	6.4%	7.1%	4.8%^
Like–for–like sales growth	(b)	4.0%	0.5%	5.3%	4.4%	0.8%
Growth in net shop numbers	(c)	4.4%	1.3%	2.4%	3.0%	0.7%
Capital expenditure	(d)	£41.7m	£30.0m	£42.3m	£40.8m	£30.3m
Operating profit	(e)	£47.1m	£42.2m*	£47.7m~	£44.3m§	£48.4m
Operating margin	(f)	8.8%	7.7%*	8.1%~	7.1%§	7.4%
Earnings per share (basic) (adjusted for ten for one share split which took place in 2009)	(g)	28.2p	26.3p*	32.2p~	30.7p§	34.1p

Performance is key

Definitions

(a) Total sales growth is the percentage year–on–year change in total sales for the Group.
(b) Like–for–like sales growth compares year–on–year cash sales in our 'core' shops, i.e. it is not distorted by shop openings or closures. Refitted shops are included in the like–for–like comparison unless there has been a significant change in the trading space. Like–for–like sales growth includes selling price inflation.
(c) Growth in net shop numbers represents the percentage increase in number of shops in operation at the end of the year.
(d) Capital expenditure is the total cash spent in the year on investment in tangible fixed assets.
(e) Operating profit reflects the performance of the Group before financing and taxation impacts.
(f) Operating margin shows the operating profitability of the Group as a percentage of its sales.
(g) Earnings per share is calculated by dividing profit attributable to shareholders (i.e. profit after taxation) by the weighted average number of ordinary shares outstanding during the year after adjusting for the effect of own shares held.

^ 2004 and 2009 were both 53 week years, impacting on total sales growth for those years and the years immediately following. Like–for–like sales growth is unaffected by a 53 week year.
* Before cost of Bakers Oven restructuring (£3.5m), 2006 EBIT after restructuring £38.7m. Earnings per share after restructuring costs is 24.1p.
~ Excludes one–off property gains of £2.2m included in the statutory operating profit in the income statement. Earnings per share including these gains is 34.3p.
§ Excludes exceptional credit of £4.3m included in the statutory operating profit in the income statement – £1.1m profit on disposal of properties, £6.9m curtailment gain relating to the defined benefit pension scheme and a restructuring charge of £3.7m. Earnings per share after exceptional items is 33.7p.

Roger Whiteside Raymond Reynolds Iain Ferguson Julie Baddeley

Corporate Governance

The Board recognises the importance of, and is committed to, high standards of corporate governance and to integrity and high ethical standards in all of its business dealings.

The Board considers that it has complied, throughout the year under review, with the principles of governance set out in Section 1 of the Combined Code on corporate governance published by the Financial Reporting Council (the "Combined Code") effective during the financial year. The only exception is that Sir Michael Darrington, formerly Managing Director of the Company, remained on the Board as a non–executive director until May 2009 to assist with the transition to a new Chief Executive, appointed from outside the Company. This resulted in there being less than half of the Board (excluding the Chairman) comprising independent non–executive directors, contrary to Code provision A.3.2 until March 2009, when Iain Ferguson was appointed as an additional non–executive director.

The following statements, together with the Directors' Remuneration report on pages 77 to 88, describe how the relevant principles and provisions of the Combined Code were applied to the Company in 2009 and will be relevant to the Company for the 2010 financial year.

During 2009, Sir Michael Darrington retired from the Board, after 26 years of distinguished service, and Iain Ferguson joined the Board.

The Board

The Board currently comprises the Chairman, three executive and four non–executive directors as follows:

Derek Netherton (Chairman), 65

Spent his career in investment banking and retired in 1996 from his position as joint head of corporate finance at J Henry Schroder & Co Limited. He is a non–executive director of St James's Place plc. He was appointed to the Board on 1 March 2002 and was appointed Chairman in August of the same year. There have been no significant changes to the Chairman's other commitments during 2009. He is Chairman of the Nominations Committee.

Kennedy McMeikan (Chief Executive), 44

Joined the Board on 1 June 2008 and became Chief Executive of the Company on 1 August 2008. Kennedy was Retail Director of J Sainsbury Plc from 2005-2008. Prior to this, he had spent 14 years at Tesco. Appointed Chief Executive of Tesco in Japan in 2004, he had previously been Chief Executive of Europa Foods convenience store business following its acquisition by Tesco in 2002. He began his career at Sears UK in 1986, after five years service in the Royal Navy from 1981 to 1986.

Richard Hutton, FCA (Finance Director), 41

Was appointed to the Board on 13 March 2006. He qualified as a Chartered Accountant with KPMG and gained career experience with Procter & Gamble before joining Greggs in 1998. He was appointed Finance Director on 10 May 2006.

Bob Bennett   Derek Netherton   Kennedy McMeikan   Richard Hutton

Raymond Reynolds (Retail Director), 50

Was appointed to the Board as Retail Director on 18 December 2006. He joined Greggs in retail management in 1986. During the late 1990s, as general manager he built a significant new business for Greggs in the Edinburgh region, and in 2002 he was appointed Managing Director of Greggs of Scotland.

Bob Bennett (Senior Independent Director), 62

Was appointed to the Board in December 2003. He trained as a Chartered Accountant with Spicer & Pegler and was Group Finance Director of Northern Rock plc from 1993 until his retirement at the end of January 2007. He is a member of the Nominations and Remuneration Committees; he has been Chairman of the Audit Committee since 2004 and became the Senior Independent Director in 2008.

Julie Baddeley, 58

Was appointed to the Board in March 2005. She has held senior executive roles in the Woolwich plc (where she was responsible for Information Technology and Human Resources), Accenture and Sema Consulting. Julie is a non–executive director of Camelot Group plc, the Department of Health, Chrysalis VCT plc, Spice Plc and is an Associate Fellow of the Said Business School, Oxford. Julie is a member of the Nominations and Audit Committees and has been Chair of the Remuneration Committee since 2005.

Roger Whiteside, 51

Joined the Board on 17 March 2008. Roger is Managing Director of the Leased division of Punch Taverns plc. He was Chief Executive of the Thresher Group off–licence chain from 2004 to 2007. Prior to this, he was one of the founding team of Ocado, the innovative online grocer operating in partnership with Waitrose, and served as Joint Managing Director from 2000 to 2004. He began his career at Marks & Spencer, where he spent 20 years, ultimately becoming head of its Food Business. Roger is a member of the Nominations, Remuneration and Audit Committees of the Board.

Iain Ferguson, 54

Joined the Board on 31 March 2009. Iain was Chief Executive of Tate & Lyle PLC until October 2009. Previously, he worked for Unilever where he held a number of senior positions including Executive Chairman of Birds Eye Walls and Senior Vice President, Corporate Development. He is a non–executive director of Balfour Beatty and The Davis Service Group, a member of the PricewaterhouseCoopers (UK) Advisory Board, a former Commissioner on the UK Government's Policy Commission on the Future of Farming and Food and also a former President of the Institute of Grocery Distribution. He was, until 31 December 2008, President of the UK Food and Drink Federation and is Honorary Vice President of the British Nutrition Foundation and a member of Defra's Council of Food Policy Advisors. Iain is a member of the Nominations, Remuneration and Audit Committees of the Board.

Effectiveness

The Board, under the chairmanship of Derek Netherton, meets regularly to discharge its duties. At these meetings, it reviews Group strategy, performance, resources, risk management and other matters reserved for the Board. Whilst the executive responsibility for running the Company's business rests ultimately with the Chief Executive, Kennedy McMeikan, the non–executive directors ensure that the strategies proposed by the executive directors are fully discussed and critically examined prior to adoption. During 2009, the scheduled Board and Committee meetings and the number of meetings attended by each current director were as follows:

	Main Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held	7	4	5	1
Derek Netherton	7	–	–	1
Kennedy McMeikan	7	–	–	–
Richard Hutton	7	–	–	–
Raymond Reynolds	7	–	–	–
Julie Baddeley	7	4	5	1
Bob Bennett	7	4	5	1
Roger Whiteside	7	4	5	1
Iain Ferguson (appointed 31 March 2009 therefore could have attended)	5 (5)	1 (2)	2 (3)	– (–)

In addition, the non–executive directors meet for two formal meetings each year and from time to time, as required.

The Board has a policy on the separation of the roles of the Chairman and the Chief Executive. The Chairman sets the agenda for Board meetings and ensures that the Board is supplied, in a timely manner, with information in a form and of a quality appropriate to enable it to discharge its duties. The Board considers that it effectively leads and controls the Company. All directors take decisions objectively and in the interests of the Company. The non–executive directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. All directors receive induction training on joining the Board and regularly update and refresh their knowledge through reading, attendance on relevant courses and/or activities outside the Company.

As part of the process of maintaining an awareness of the Company's activities and assessing the ability of the management team, members of the senior management team are invited to attend Board meetings and/or to present papers to the Board. This process also affords senior managers the opportunity to bring matters to the attention of the Board.

The Board is satisfied that a process is in place for orderly succession to the Board and to positions of senior management, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

After carefully reviewing the guidance in the Combined Code, all of the non–executive directors are considered by the Board to be independent in character and judgement and to be free from any business or other relationship or circumstance which is likely to affect or to interfere with the exercise of their independent judgement.

The Company's articles of association require that all directors must retire and seek re–election at the first AGM following appointment. Thereafter, any non–executive director who has served on the Board for more than nine years must seek re–election annually. One half of the remaining directors, being those who have been in office longest since last re–election, and any other director who has not been elected or re–elected at either of the two preceding AGMs, must seek re–election at each AGM.

All directors are able to receive training and to take independent professional advice at the expense of the Company. They also have direct access to the Company Secretary, who is responsible for advising the Board, through the Chairman, on all governance matters.

The Chairman meets with the non–executive directors at least annually without the executive directors present. The Senior Independent Director meets the non–executive directors without

the Chairman present annually to appraise the Chairman's performance. The performance of the Board, its Committees and of all directors is evaluated annually by a formal and rigorous process. In 2009, each director completed a written questionnaire and participated in a "one to one" telephone interview with the Company Secretary. In addition to covering the effectiveness of the Board, its committees and each individual director, the process also included a review of the performance of the Board against the objectives it set for itself at the start of the year and whether the Board had operated in accordance with the Company's values at all times. The results are fed back to the Chairman and the Senior Independent Director and then to the Board for discussion. These discussions are used to identify actions to improve effectiveness, to identify individual and collective training needs and to set objectives for the Board for the next year.

Board Committees

The Board delegates some of its activities to the following committees, each of which has written terms of reference, which are available on the Company's website. The Company Secretary acts as secretary to each of these committees.

The Audit Committee currently consists of four independent non–executive directors (Bob Bennett – Chairman, Julie Baddeley, Roger Whiteside and Iain Ferguson). The Committee's main functions (which it discharged during the year) are to endeavour (i) to ensure that the accounting and financial policies of the Company are proper and effective; (ii) to assist the Board in fulfilling its oversight responsibilities by monitoring the integrity of the accounts and information published by the Company; (iii) to review the internal financial controls and the Group's approach to risk management; (iv) to monitor compliance with the Listing Rules and the recommendations of the Combined Code; and (v) to maintain an appropriate relationship with the Company's external auditors and review the effectiveness and objectivity of the audit process.

During the year, the Committee, in performing these functions, reviewed the annual and interim accounts issued to shareholders; compliance with financial reporting standards and the size and remit of the internal audit function. The Committee also considered and made recommendations to the Board in relation to the independence and objectivity of the external auditors (including the impact of any non–audit work undertaken by them) and their suitability for re–appointment. The Audit Committee reviewed the scope of the external audit in discussion with the external auditors and agreed their fees in respect of the audit.

The Committee normally meets with the Finance Director and the external auditors in attendance, although time is set aside annually for discussion between the Committee and the external auditors and with the internal auditors, in each case in the absence of all executive directors. The Committee has the power to engage outside advisers if it sees fit. The Committee also monitors and reviews the effectiveness of the internal audit activities and risk management process.

The Combined Code requires the Board to be satisfied that at least one member of the Audit Committee has recent and relevant financial experience – the Board is satisfied in this respect and is confident that the collective experience of the members enables them to act effectively as an Audit Committee. The Committee also has access to the Group financial team and to its auditors and can seek further professional advice, at the Company's cost, if required.

The Remuneration Committee currently consists entirely of independent non–executive directors (Julie Baddeley – Chair, Bob Bennett, Roger Whiteside and Iain Ferguson).
The Committee's main duties (which it discharged during the year) are to determine the basic salary, benefits in kind, terms and conditions of employment, performance–related bonuses, share options and pension benefits of the executive directors and the Chairman on behalf of the Board. The Committee is also responsible for the operation of the Company's share option schemes and for monitoring the framework for, broad policy in respect of, and levels of remuneration of the Company's senior management. A separate executive director committee sets, after discussion with the Chairman, the fees for the non–executive directors so as to ensure that no director is involved in setting his or her own remuneration. The Directors' Remuneration report is set out on pages 77 to 88 of this annual report.

The Nominations Committee currently comprises Derek Netherton – Chairman, and all of the non–executive directors. The Committee's main functions (which it discharged during the year) are to review the balance and constitution of the Board; to advise the Board as to whether directors retiring by rotation should be nominated for re–election by the members; and to approve and manage the process for setting the specification for all Board appointments, identifying candidates who meet that specification and making recommendations to the Board on the basis of merit and compliance with objective criteria in respect of all new Board appointments.

In recruiting additional directors the Nominations Committee defines the role and uses external consultants to assist in identifying suitable candidates from which the Committee selects a short list and conducts interviews. The final

candidate is then subject to formal recommendation by the Committee and approval by the Board. This process was adopted for the selection of Iain Ferguson as a new non–executive director.

Each of the Committees is provided with sufficient resources to undertake its duties.

Relations with shareholders

The Chairman ensures that there is effective communication with individual and institutional shareholders through the announcement of regular trading updates, as well as general presentations after announcement of the interim and preliminary results and the posting of results on the Company's website. The Board receives reports on any comments received from shareholders following these presentations.

The Board considers that the AGM is the main forum for communication with investors, with the chairmen of the Board and its Committees available to answer any issues raised and any newly–appointed directors being available to meet shareholders. In addition, the Company Secretary and the Company's Brokers draw the attention of the Board to all relevant shareholder communications. The Board also reviews briefings and comments by analysts in order to maintain an understanding of market perceptions of the Company. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of the Chairman, Chief Executive or Finance Director has failed to resolve, or for which such contact is not appropriate.

At the AGM, the balance of proxy votes cast for and against each resolution and the number of abstentions is displayed. All substantial issues, including the receipt of the annual report and accounts, are proposed at the AGM as separate resolutions.

Risk Management

The Board is ultimately responsible for the Group's system of internal control, which covers all aspects of the business, and for reviewing its effectiveness. However, any such system can only be designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives and, therefore, is only able to provide reasonable, and not absolute, assurance against material misstatement or loss. The directors regularly review the risks to which the Company is exposed, as well as the operation and effectiveness of the system of internal controls. This is an ongoing process which involves the identification, evaluation and management of the significant risks faced by the Company. Key elements of the internal control system, which have been in place during the whole of the year under review and up to the date of approval of this annual report and accounts, are:

Board of Directors

The Board takes a proactive approach to the management of all forms of risk, and views risk management as a vital constituent of its role. At each Board meeting, the effectiveness of the controls relating to the most significant risks (i.e. those which may restrict the Company's ability to meet its objectives) are monitored and reviewed and consideration is given as to whether any new material risks have emerged. The Audit Committee, on behalf of the Board, conducts a formal review of risks and risk management procedures and reports its findings to the Board. Remedial action is determined where appropriate. For some key risks, where it is felt necessary, specialist advice is sought from external agencies and professional advisers. The Board also reviews, at least annually, the major risks facing the business and the level and scope of insurance cover maintained within the business. The Board receives reports from management on significant changes in the business and external environment which might affect the risk profile. It has also set in place a system of regular hierarchical reporting which provides for relevant details and assurances on the assessment and control of risks to be given to it.

Operating Board

The Operating Board, answerable directly to the Chief Executive, is responsible for implementing decisions of the Main Board and providing protection against the major risks by various techniques, including strategic planning, monitoring, supervision and training.

Risk Committee

The Risk Committee, chaired by the Chief Executive and consisting of the heads of each management function within the business, has responsibility for analysing, assessing, measuring and understanding the Company's risk environment, as well as devising a sound risk management strategy for review and approval by the Board. The Risk Committee reports its findings and important changes to the Board on a regular basis through personal presentation, narrative reports and key performance indicators (internal and external to the organisation) and through the Audit Committee. The Risk Committee also feeds the results of its assessments back into the Operating Board's business planning process at least annually. The risks are assessed on a regular basis across all functional areas but, in particular, the areas

of food safety, health and safety, competitive environment, information flow, asset protection and regulatory requirements.

The Board considers the key risks to the Group to be as follows:

Organisational

The success of the Company is dependent upon the efforts and abilities of its employees. The Company has established remuneration packages that will attract, retain and motivate individuals with appropriate skills and experience. Organisational structure is regularly reviewed and there are group–wide processes for the training and development of all employees.

External factors

Changes in the retail trading environment or in customer preferences could clearly have a significant effect on the business. The Company continually monitors market trends, the performance of its competitors and the performance of its own products and retail formats. Consumer research is carried out regularly and key market reports are monitored.

Operational

The safety of our products, employees and customers is paramount. Detailed systems are in place to ensure that we are operating safely and these systems are subject to regular audit to ensure compliance. High priority is given to implementing any resulting recommendations.

Detailed plans are in place for all our major production facilities to maintain business continuity in the event of any potentially disruptive occurrence.

Policies and Procedures

Policies and procedures, covering control issues across appropriate aspects of the business, are defined and communicated to the respective managers and staff at all levels. Adherence is monitored and reported upon.

Health and Safety

The Company is committed to improving continuously the working environment, with the objective that accidents and work related ill health should progressively be reduced. Health and Safety Officers and Occupational Nurses are appointed across the business and operational policies and procedures are subject to both internal and external audit. Targets are set and programmes are devised to implement them. This approach involves a rigorous health assessment, during which hazards are identified, risks assessed, control measures applied and improvement actions agreed to manage residual risks.

Financial Reporting

The Company operates a comprehensive financial control system. Divisional Financial Controllers have responsibility for implementation of the Company’s financial management policies within each operating division. Each Divisional Financial Controller works closely with their divisional General Managers to monitor performance against plan. This is then consolidated and reviewed further at Company level. In addition, assets and liabilities are scrutinised at several levels on a regular basis and remedial action is taken where required. A comprehensive annual planning process is carried out, which determines expected levels of performance for all aspects of the business. Each Divisional Financial Controller can also report directly to the Group Finance Director on matters of financial control. In 2009 a new accounting system was introduced with some responsibility for financial management being passed to a shared service centre. Financial control will be centralised further in 2010.

Whistle Blowing

The Company has “whistle blowing” procedures in place, which enable employees to bring matters to the attention of the senior management, and for the confidential, proportionate and independent consideration and follow–up of any matter so raised. The “whistle blowing” procedures are reviewed regularly by the Audit Committee.

Internal Audit

The internal audit function visits every division on an annual basis and reviews performance of the Division across a range of financial and non–financial requirements, reporting findings to senior management and direct to the Audit Committee.

The Board confirms that it has reviewed the effectiveness of the system of internal control (covering all material controls, including financial, operational, compliance and risk management systems) during the year under review and up to the date of approval of the annual report and accounts.

Accountability, Audit and Going Concern

The Board acknowledges its responsibility to present a balanced and understandable assessment of the Company's position and prospects. This is fulfilled by the statements contained in the Chairman's statement and Chief Executive's report, which supplement the statutory accounts themselves. A statement of directors' responsibilities in respect of the preparation of accounts is given on page 36. A statement of auditors' responsibilities is given in the report of the auditors on page 37.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts (see basis of preparation on page 45).

Fixed assets

In the opinion of the directors, the market value of all of the Group's properties is not significantly different from their historical net book amount.

Directors and their interests

The names of the directors in office during the year, together with their relevant interests in the share capital of the Company at 27 December 2008 and 2 January 2010 (or at date of appointment if later) are set out in note 25 to the accounts. Details of directors' share options are set out in the Directors' Remuneration report on pages 77 to 88.

In accordance with the Company's articles of association, Julie Baddeley, Richard Hutton, Roger Whiteside and Bob Bennett will retire from the Board at the AGM. All, being eligible, offer themselves for re–election.

Directors' Indemnities and conflicts

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors, to the extent permitted by law, in respect of losses arising out of or in connection with the execution of their duties, powers or responsibilities as directors of the Company. The indemnities do not apply in situations where the relevant director has been guilty of fraud or wilful misconduct.

Under the authority granted to them in the Company's Articles of Association, the Board has considered carefully any situation declared by any director pursuant to which he/she has or might have a conflict of interest and, where it considers it appropriate to do so, has authorised the continuation of that situation. In exercising its authority, the directors have had regard to their statutory and other duties to the Company.

Substantial shareholdings

At 18 March 2010, the only notified holdings of substantial voting rights in respect of the issued share capital of the Company (which may have altered since the update of such notification, without any requirement for the Company to have been informed) were:

	Number of shares held	Percentage of issued share capital
Aberforth Partners LLP	10,383,890	9.98
A.J. Davison (as trustee of various settlements)*	6,768,018	6.51
Schroders plc	5,021,221	4.83
Legal and General Investment Management Limited	4,107,434	3.94
F&C Asset Management plc	3,862,618	3.71
Norges Bank	3,133,000	3.01

*Various other trustees jointly hold shares with A.J. Davison above, some of whom, by reason of such joint holdings and other holdings in their own name, have declarable interests as follows: N.A. Bailey (3.26% jointly held with A.J. Davison and others).

Authority to purchase shares

At the AGM on 13 May 2009, the shareholders passed a resolution authorising the purchase by the Company of its own shares to a maximum of 10,350,000 ordinary shares of 2p each. That authority has not been used as at 2 January 2010. The balance remains in force until the conclusion of the AGM in 2010 or 12 August 2010, whichever is the earlier. It is the Board's intention to seek approval at the AGM for the renewal of this authority.

Additional information

Following the implementation of the European Directive on Takeover Bids by certain provisions of the Companies Act 2006, the Company is required to disclose certain additional information in the directors' report. This information is set out below.

- The Company has one class of share in issue being ordinary shares of 2p each. As at 18 March 2010, there were 103,990,470 such ordinary shares in issue. There are no shares in the Company that grant the holder special rights with regard to control of the Company.

- At general meetings of the Company, on a show of hands, every shareholder present in person or by proxy has one vote only and, in the case of a poll, every shareholder present in person or by proxy has one vote for every share in the capital of the Company held by him.

- The Company's articles of association set out the circumstances in which shares may become disenfranchised. No shareholder is entitled, unless the directors otherwise determine, in respect of any share held by him to be present or vote at a general meeting either personally or by proxy (or to exercise any other right in relation to meetings of the Company) in respect of that share in certain circumstances if any call or other sum is payable and remains unpaid, if the shareholder is in default in complying with a duly served notice under section 793(1) of the Companies Act 2006 (CA 2006) or if the shareholder has failed to reply to a duly served notice requiring him to provide a written statement stating he is the beneficial owner of shares.

- A notice convening a general meeting can contain a statement that a shareholder is not entitled to attend and vote at a general meeting unless his name is entered on the register of members of the Company at a specific time (not more than 48 hours before the meeting) and if a shareholder's name is not so entered he is not entitled to attend and vote.

- Under the Company's articles of association the directors may, in their absolute discretion, refuse to register the transfer of a share in certified form in certain circumstances where the Company has a lien on the share (provided that the directors do not exercise their discretion so as to prevent dealings in partly–paid shares from taking place on an open and proper basis), where a shareholder has failed to reply to a duly–served notice under section 793(1) CA 2006 or if a transfer of a share is in favour of more than four persons jointly. In addition, the directors may decline to recognise any instrument of transfer unless it is in respect of only one class of share and is deposited at the address at which the register of members of the Company is held (or at such other place as the directors may determine) accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer. In respect of shares held in uncertificated form the directors may only refuse to register transfers in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time).

- Under the Company's Code on dealings in securities in the Company, persons discharging managerial responsibilities and some other senior executives may in certain circumstances be restricted as to when they can transfer shares in the Company.

- There are no agreements between shareholders known to the Company which may result in restrictions on the transfer of shares or on voting rights.

- Details of the significant holders of the Company's shares are set out on page 33.

- Where, under an employee share plan operated by the Company, participants are the beneficial owners of shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

- The Company's articles of association may only be amended by special resolution at a general meeting of the shareholders.

- The Company's articles of association set out how directors are appointed and replaced. Directors can be appointed by the Board or by the shareholders in a general meeting. At each Annual General Meeting, any director appointed by the Board since the last Annual General Meeting plus a proportion of the other directors must retire from office but each is eligible for re–election by the shareholders. Under the CA 2006 and the Company's articles of association, a director can be removed from office by the shareholders in a general meeting.

- The Company's articles of association set out the powers of the directors. The business of the Company is to be managed by the directors who may exercise all the powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company and are not by any relevant statutes or by the Company's articles of association required to be exercised or done by the Company in a general meeting, subject to the provisions of any relevant statutes and the Company's articles of association and to such regulations as may be prescribed by the Company by special resolution.

- Under the CA 2006 and the Company's articles of association, the directors' powers include the power to allot and buy back shares in the Company. At each Annual General Meeting, resolutions are proposed granting and setting out the limits on these powers.

- The Company is not party to any significant agreements which take effect, alter or terminate upon a change of control of the Company, following a takeover bid.

- There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. Details of the directors' service agreements and terms of appointment are set out in the Directors Remuneration report on pages 77 to 88. However, provisions in the employee share plans operated by the Company may allow options to be exercised on a takeover.

Payments to suppliers

Good relationships with our suppliers are an important factor in the success of the Group. Payments to suppliers are made in accordance with the Group's normal terms and conditions of business except where varied terms and conditions are agreed with individual suppliers, in which case these prevail. Where disputes arise, we attempt to resolve them promptly and amicably to ensure delays in payment are kept to a minimum.

The average creditor payment period for the Company and the Group at 2 January 2010 was 41 days (2008: 33 days).

Significant relationships

The Group does not have any contractual or other relationships with any single party which are essential to the business of the Group and, therefore, no such relationships have been disclosed.

Auditors

Auditor independence and policy on the use of the auditors for non–audit work.

The Audit Committee keeps under review all non–audit services provided by the external auditors in order to seek to ensure that their independence and objectivity cannot be compromised. The Committee recognises that there are situations where it is in the Company's best interests to use the services of its external auditors for non–audit work but manages such appointments and will not allow any non–audit work that might, in the Committee's opinion, impair the auditors' objectivity or independence. In addition, the Audit Committee ensures that the external auditors have their own policies and are subject to professional standards designed to safeguard their independence as auditors. The Audit Committee has adopted a policy under which all use of the external auditors for non–audit work must be reported to and approved by the Committee and the aggregate of such fees will normally be less than 100% of the audit fee. In circumstances where the Committee believes that it is right to authorise non–audit fees in excess of this limit the Committee will approve such expenditure in advance of it being committed and provide an explanation to shareholders in the next directors' report.

The Audit Committee has reviewed whether, and is satisfied that, the Company's auditors, KPMG Audit Plc, continue to be objective and independent of the Company. KPMG Audit Plc does perform non–audit services for the Group but the Audit Committee is satisfied that its objectivity is not impaired by such work. In 2009, non audit fees paid to KPMG Audit Plc and related KPMG operations amounted to £112,000 and principally related to taxation compliance services and pension scheme audits.

Disclosure of information to auditors

Each of the directors who held office at the date of approval of this directors' report confirms that, so far as he/she is individually aware, there is no relevant audit information of which the Company's auditors are unaware; and that he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re–appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Andrew Davison
Secretary
Greggs plc (CRN 502851)

Fernwood House
Clayton Road
Jesmond
Newcastle upon Tyne
NE2 1TL

18 March 2010

Statement of directors' responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the Annual Report and the Group and Parent Company accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company accounts for each financial year. Under that law they are required to prepare the Group accounts in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company accounts on the same basis.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The directors confirm that to the best of their knowledge:

- the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole and;
- the directors' report, which incorporates the Chairman's statement, the Chief Executive's report and the Corporate Social Responsibility statement include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditors' report to the members of Greggs plc

We have audited the accounts of Greggs plc for the 53 weeks ended 2 January 2010 set out on pages 39 to 76. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

A description of the scope of an audit of accounts is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 January 2010 and of the Group's profit for the year then ended;
- the Group accounts have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company accounts have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 36, in relation to a going concern; and
- the part of the Corporate Governance Statement on page 26 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

18 March 2010

Consolidated income statement

for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

	Note	**2009**	2008 Restated	2008	2008 Restated
		£'000	£'000	£'000	£'000
		Total	Excluding exceptional items	Exceptional items (Note 4)	Total
Revenue	1	**658,186**	628,198	–	628,198
Cost of sales	5	**(252,284)**	(241,939)	–	(241,939)
Gross profit		**405,902**	386,259	–	386,259
Distribution and selling costs	5	**(321,686)**	(306,450)	(3,285)	(309,735)
Administrative expenses	5	**(35,783)**	(35,514)	(430)	(35,944)
Other income		**–**	–	8,033	8,033
Operating profit		**48,433**	44,295	4,318	48,613
Finance income	6	**346**	857	–	857
Profit before tax	3–6	**48,779**	45,152	4,318	49,470
Income tax	8	**(14,405)**	(14,033)	(1,342)	(15,375)
Profit for the financial year attributable to equity holders of the parent		**34,374**	31,119	2,976	34,095
Basic earnings per share	9	**34.1p**	–	–	33.6p
Diluted earnings per share	9	**34.0p**	–	–	33.5p
Non GAAP measures					
Adjusted basic earnings per share	9	**34.1p**	–	–	30.7p
Adjusted diluted earnings per share	9	**34.0p**	–	–	30.6p

Consolidated statement of comprehensive income

for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

	Note	Group	
		2009	2008
		£'000	£'000
Profit for the financial year		**34,374**	34,095
Other comprehensive income			
Actuarial losses on defined benefit pension plans	20	**(6,920)**	(12,614)
Tax on items taken directly to equity	8	**1,938**	3,532
Other comprehensive income for the financial year, net of income tax		**(4,982)**	(9,082)
Total comprehensive income for the financial year		**29,392**	25,013

Balance sheets

at 2 January 2010 (2008: 27 December 2008)

	Note	Group		Parent Company	
		2009	2008	**2009**	2008
		£'000	£'000	**£'000**	£'000
ASSETS					
Non–current assets					
Intangible assets	10	**579**	686	**579**	686
Property, plant and equipment	11	**211,155**	210,455	**211,748**	211,048
Investments	12	**–**	–	**4,987**	5,190
		211,734	211,141	**217,314**	216,924
Current assets					
Inventories	14	**11,886**	12,152	**11,886**	12,152
Trade and other receivables	15	**21,206**	22,698	**21,206**	22,698
Cash and cash equivalents	16	**34,619**	4,433	**34,619**	4,433
		67,711	39,283	**67,711**	39,283
Total assets		**279,445**	250,424	**285,025**	256,207
LIABILITIES					
Current liabilities					
Trade and other payables	17	**(71,738)**	(62,761)	**(79,545)**	(70,568)
Current tax liabilities	18	**(8,857)**	(8,337)	**(8,857)**	(8,337)
Provisions	21	**(857)**	(2,843)	**(857)**	(2,843)
		(81,452)	(73,941)	**(89,259)**	(81,748)
Non–current liabilities					
Defined benefit pension liability	20	**(12,332)**	(5,733)	**(12,332)**	(5,733)
Other payables	19	**(8,830)**	(8,221)	**(8,830)**	(8,221)
Deferred tax liability	13	**(9,298)**	(12,154)	**(8,559)**	(11,415)
Long term provisions	21	**(3,296)**	(2,428)	**(3,296)**	(2,428)
		(33,756)	(28,536)	**(33,017)**	(27,797)
Total liabilities		**(115,208)**	(102,477)	**(122,276)**	(109,545)
Net assets		**164,237**	147,947	**162,749**	146,662
EQUITY					
Capital and reserves					
Issued capital	22	**2,080**	2,080	**2,080**	2,080
Share premium account		**13,533**	13,533	**13,533**	13,533
Capital redemption reserve	22	**359**	359	**359**	359
Retained earnings		**148,265**	131,975	**146,777**	130,690
Total equity attributable to equity holders of the parent		**164,237**	147,947	**162,749**	146,662

The accounts on pages 39 to 76 were approved by the Board of directors on 18 March 2010 and were signed on its behalf by:

K. McMeikan R.J. Hutton

Company Registered Number 502851

Statements of changes in equity

for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

Group
52 weeks ended 27 December 2008

	Note	Attributable to equity holders of the Company				
		Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance at 30 December 2007		2,127	13,533	312	129,622	145,594
Total comprehensive income for the year						
Profit for the financial year		–	–	–	34,095	34,095
Other comprehensive income		–	–	–	(9,082)	(9,082)
Total comprehensive income for the year		–	–	–	25,013	25,013
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled	22	(47)	–	47	(9,738)	(9,738)
Sale of own shares		–	–	–	698	698
Share–based payment transactions	20	–	–	–	1,047	1,047
Dividends to equity holders	22	–	–	–	(14,535)	(14,535)
Tax items taken directly to reserves	8	–	–	–	(132)	(132)
Total transactions with owners		(47)	–	47	(22,660)	(22,660)
Balance at 27 December 2008		2,080	13,533	359	131,975	147,947

53 weeks ended 2 January 2010

	Note	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
Balance at 28 December 2008		**2,080**	**13,533**	**359**	**131,975**	**147,947**
Total comprehensive income for the year						
Profit for the financial year		–	–	–	**34,374**	**34,374**
Other comprehensive income		–	–	–	**(4,982)**	**(4,982)**
Total comprehensive income for the year		–	–	–	**29,392**	**29,392**
Transactions with owners, recorded directly in equity						
Sale of own shares		–	–	–	**1,182**	**1,182**
Share–based payment transactions	20	–	–	–	**982**	**982**
Dividends to equity holders	22	–	–	–	**(15,339)**	**(15,339)**
Tax items taken directly to reserves	8	–	–	–	**73**	**73**
Total transactions with owners		–	–	–	**(13,102)**	**(13,102)**
Balance at 2 January 2010		**2,080**	**13,533**	**359**	**148,265**	**164,237**

Statements of changes in equity

(continued)

Parent Company
52 weeks ended 27 December 2008

	Note	Attributable to equity holders of the Company				
		Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance at 30 December 2007		2,127	13,533	312	128,221	144,193
Total comprehensive income for the year						
Profit for the financial year	7	–	–	–	34,211	34,211
Other comprehensive income		–	–	–	(9,082)	(9,082)
Total comprehensive income for the year		–	–	–	25,129	25,129
Transactions with owners, recorded directly in equity						
Shares purchased and cancelled	22	(47)	–	47	(9,738)	(9,738)
Sale of own shares		–	–	–	698	698
Share–based payment transactions	20	–	–	–	1,047	1,047
Dividends to equity holders	22	–	–	–	(14,535)	(14,535)
Tax items taken directly to reserves	8	–	–	–	(132)	(132)
Total transactions with owners		(47)	–	47	(22,660)	(22,660)
Balance at 27 December 2008		2,080	13,533	359	130,690	146,662

53 weeks ended 2 January 2010

	Note	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
Balance at 28 December 2008		**2,080**	**13,533**	**359**	**130,690**	**146,662**
Total comprehensive income for the year						
Profit for the financial year	7	–	–	–	**34,171**	**34,171**
Other comprehensive income		–	–	–	**(4,982)**	**(4,982)**
Total comprehensive income for the year		–	–	–	**29,189**	**29,189**
Transactions with owners, recorded directly in equity						
Sale of own shares		–	–	–	**1,182**	**1,182**
Share–based payment transactions	20	–	–	–	**982**	**982**
Dividends to equity holders	22	–	–	–	**(15,339)**	**(15,339)**
Tax items taken directly to reserves	8	–	–	–	**73**	**73**
Total transactions with owners		–	–	–	**(13,102)**	**(13,102)**
Balance at 2 January 2010		**2,080**	**13,533**	**359**	**146,777**	**162,749**

Statements of cashflows

for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

	Note	Group		Parent Company	
		2009	2008	**2009**	2008
		£'000	£'000	**£'000**	£'000
Operating activities					
Cash generated from operations (see page 44)		**87,944**	59,163	**87,944**	59,494
Income tax paid		**(14,731)**	(14,807)	**(14,731)**	(14,771)
Net cash inflow from operating activities		**73,213**	44,356	**73,213**	44,723
Investing activities					
Acquisition of property, plant and equipment	11	**(30,296)**	(40,758)	**(30,296)**	(40,758)
Acquisition of intangible assets	10	**–**	(686)	**–**	(686)
Proceeds from sale of property, plant and equipment		**2,368**	2,200	**2,368**	2,200
Interest received	6	**346**	857	**346**	857
Net cash outflow from investing activities		**(27,582)**	(38,387)	**(27,582)**	(38,387)
Financing activities					
Sale of own shares	22	**1,182**	698	**1,182**	698
Shares purchased and cancelled	22	**–**	(9,738)	**–**	(9,738)
Dividends paid	22	**(15,339)**	(14,535)	**(15,339)**	(14,535)
Government grants received		**1,087**	8,083	**1,087**	8,083
Net cash outflow from financing activities		**(13,070)**	(15,492)	**(13,070)**	(15,492)
Net increase / (decrease) in cash and cash equivalents		**32,561**	(9,523)	**32,561**	(9,156)
Cash and cash equivalents at the start of the year	16	**2,058**	11,581	**2,058**	11,214
Cash and cash equivalents at the end of the year	16	**34,619**	2,058	**34,619**	2,058
Included in cash and cash equivalents per the balance sheet	16	**34,619**	4,433	**34,619**	4,433
Included in current liabilities	17	**–**	(2,375)	**–**	(2,375)
Cash and cash equivalents at the end of the year		**34,619**	2,058	**34,619**	2,058

Statements of cashflows

for the 53 weeks ended 2 January 2010 (2008: 52 weeks ended 27 December 2008)

(continued)

	Note	Group		Parent Company	
		2009	2008	**2009**	2008
		£'000	£'000	**£'000**	£'000
Cash flow statement – cash generated from operations					
Profit for the financial year		**34,374**	34,095	**34,171**	34,211
Amortisation	10	**107**	–	**107**	–
Depreciation	11	**27,218**	26,010	**27,218**	26,010
Impairment	12	**–**	–	**203**	–
Loss / (profit) on sale of property, plant and equipment		**10**	(771)	**10**	(771)
Release of government grants		**(228)**	(84)	**(228)**	(84)
Gain on curtailment of defined benefit pension scheme		**–**	(6,969)	**–**	(6,969)
Share based payment expenses	20	**982**	1,047	**982**	1,047
Finance income	6	**(346)**	(857)	**(346)**	(857)
Unrealised exchange gain relating to property, plant and equipment		**–**	(353)	**–**	(353)
Income tax expense	8	**14,405**	15,375	**14,405**	15,259
Decrease / (increase) in inventories		**266**	(2,244)	**266**	(2,244)
Decrease / (increase) in receivables		**1,492**	(2,764)	**1,492**	(2,764)
Increase / (decrease) in payables		**11,103**	(8,001)	**11,103**	(7,670)
Decrease in pension liability		**(321)**	(592)	**(321)**	(592)
(Decrease) / increase in provisions		**(1,118)**	5,271	**(1,118)**	5,271
Cash from operating activities		**87,944**	59,163	**87,944**	59,494

Significant accounting policies

Greggs plc ("the Company") is a company incorporated and domiciled in the UK. The Group accounts consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Parent Company accounts present information about the Company as a separate entity and not about its Group.

The accounts were authorised for issue by the directors on 18 March 2010.

(a) Statement of compliance

Both the Parent Company accounts and the Group accounts have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. On publishing the Parent Company accounts here together with the Group accounts, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved accounts.

(b) Basis of preparation

The accounts are presented in pounds sterling, rounded to the nearest thousand, and are prepared on the historical cost basis. A minor presentational change has been made to the income statement reallocating some salary and associated costs from administrative expenses to cost of sales and distribution and selling costs. There is no impact on net profit (see further detail below).

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and business review on pages 8 to 35. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's report on pages 13 to 19. In addition note 2 to the accounts includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and the business continues to be strongly cash generative. As a consequence, the directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The Group chose not to restate business combinations prior to the transition date on an IFRS basis, as no significant acquisitions had taken place during the previous 10 years. The Group's policy up to and including 1997 was to eliminate goodwill arising upon acquisitions against reserves. Under IFRS 1 and IFRS 3, such goodwill remains eliminated against reserves.

The accounting policies set out below have been applied consistently throughout the Group and to all years presented in these consolidated accounts and are unchanged from previous years. A minor presentational change has been made to the income statement reallocating some salary and associated costs from administrative expenses to cost of sales and distribution and selling costs. As a result the comparative figures for 2008 have been restated as follows – administrative expenses have reduced from £40.8m to £35.9m, cost of sales has increased from £240.2m to £241.9m and distribution and selling costs have increased from £306.6m to £309.7m. There is no impact on net profit. From 1 January 2009 the following standards, amendments and interpretations became effective and were adopted by the Group:

Notes to the consolidated accounts

(continued)

Significant accounting policies (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* – these amendments revise requirements for the presentation of the financial statements and do not affect the Group's overall reported results.
- Improvements to IFRSs (2008) – the amendments to IAS 1 clarify the classification of derivative financial instruments as current or non–current.
- Amendments to IFRS 2 *Share–based payments: Vesting Conditions and Cancellations* – these amendments concern certain aspects of the valuation of share–based payments and the impact of a cancellation by a grantee. These amendments have not had a significant impact on the charge for share–based payments.
- IFRS 8 *Operating Segments* – this standard amends the requirements for disclosure of segmental performance and does not have any effect on the Group's overall reported results.
- Amendment to IAS 23 *Borrowing Costs* – the amendment generally eliminates the option to expense borrowing costs attributable to the acquisition, construction or production of a qualifying asset as incurred, and instead requires the capitalisation of such borrowing costs as part of the cost of the specific asset.
- Amendments to IFRS 7 *Improving Disclosures about Financial Instruments* – these amendments are to enhance disclosures over fair value measurements relating to financial instruments and improving disclosures over liquidity risk.
- IFRIC 14 IAS 19 *The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – this interpretation applies where regulatory funding requirements will result in an unrecognisable surplus arising in the future.

The adoption of the above has not had a significant impact on the Group's profit for the year or equity.

The preparation of financial information in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The key estimates and judgements that have the most significant impact on the accounts are as follows:

Lease classification

Judgement has to be applied as to whether the Group's shop leases are operating leases or finance leases – see note 23 for how this is determined.

Post retirement benefits

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions including the discount rate, inflation rate, mortality rates and expected return on scheme assets. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions made for 2009 are given in note 20.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, bakery equipment may be impaired if it is no longer in use and/or shop fittings may be impaired if sales in that shop fall. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations which include management's estimates of future cash flows generated by the assets and an appropriate discount rate.

Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to the residual values over their estimated useful lives, both of which require management's judgement (see accounting policy (g)).

Provisions

Provision is required in respect of closed shops for which the Group has on going lease commitments. Management exercises judgement as to whether the shop will be sublet to a third party taking into account current market conditions and, if so, for how long and at what rent, in order to estimate the future net holding cost to the Group until the lease can be exited. This estimate is then discounted (where the impact would be material) at a rate that reflects the current time value of money and the risks specific to the liability. In respect of our exit from the Belgian operation, a provision remains for the potential recourse of leases taken over by the new owner.

(c) Basis of consolidation

The consolidated accounts include the results of Greggs plc and its subsidiary undertakings for the 53 weeks ended 2 January 2010. The comparative period is the 52 weeks ended 27 December 2008.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The accounts of subsidiaries are included in the consolidated accounts from the date control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated accounts.

(d) Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1.

(e) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non–monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

(f) Intangible assets

The Group's only intangible asset is accounting software which is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

Amortisation is recognised in the income statement on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are five years.

Significant accounting policies (continued)

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (k)). The cost of self–constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

(ii) Subsequent costs

The Group and Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and its cost can be measured reliably. All other costs are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight–line basis over the estimated useful economic lives of each part of an item of property, plant and equipment. Freehold and long leasehold properties are depreciated by equal instalments over a period of 40 years. Land is not depreciated. The depreciation rates are as follows:

Short leasehold properties	10%
Plant:	
General	10%
Computers	20% – 33⅓%
Motor vehicles	20% – 25%
Delivery trays	33⅓%
Shop fixtures and fittings:	
General	10%
Electronic equipment	20%

Depreciation methods, useful lives and residual values (if not insignificant) are reassessed annually.

(iv) Assets in the course of construction

Depreciation on these assets commences when the assets are available for use.

(h) Investments

Investments in subsidiaries are carried at cost less impairment.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditure incurred in acquiring the inventories and direct production labour costs.

(j) Cash and cash equivalents

'Cash and cash equivalents' comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Impairment

The carrying amounts of the Group and Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment reviews are carried out on an individual shop basis unless there are a number of shops in the same location, in which case the impairment review is based on the location.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in prior years are assessed at each reporting date and reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(l) Non–current assets held for sale

Non–current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group and Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell.

(m) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are held in the Employee Share Ownership Plan are classified as treasury shares and are presented as a deduction from total equity.

(ii) Dividends

Dividends are recognised as a liability in the year in which they are approved by the shareholders.

(n) Employee share ownership plan

The Group and Parent Company accounts include the assets and related liabilities of the Greggs Employee Benefit Trust ("EBT"). In both the Group and Parent Company accounts the shares held by the EBT are stated at cost and deducted from total equity.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Defined benefit plans

The Group and Company's obligation in respect of defined benefit post–employment plans, including pension plans, is calculated by estimating the amount of the future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value and any unrecognised past service costs, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight–line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Significant accounting policies (continued)

The Group and Company recognise actuarial gains and losses in full in the year in which they occur in the statement of changes in equity.

(iii) Share–based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

For options granted before 7 November 2002 the recognition and measurement principles of IFRS 2 have not been applied in accordance with the transitional provisions in IFRS 1. In addition deferred taxation has not been recognised on these options but is accounted for as current tax when it arises.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre–tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Closed shops

Provision is made for vacant and partly sublet properties for the shorter of the remaining period of the lease and the period until, in the directors' opinion, they will be able to exit the lease commitment. Significant assumptions are applied in making these calculations and such provisions are assessed by reference to the best available information at the balance sheet date.

(q) Revenue

(i) Goods sold

Revenue from the sale of goods is recognised as income on receipt of cash and is stated after deduction of discounts, promotions and value added taxation.

(r) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement over the useful life of the asset.

(s) Expenses

(i) Operating lease payments

Payments under operating leases are recognised in the income statement on a straight–line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

(t) Finance income and expense

(i) Finance income

Finance income comprises interest receivable on cash balances and foreign exchange movements relating to overseas bank accounts. Interest income is recognised in the income statement as it accrues using the effective interest method.

(ii) Finance expenses

Finance expenses comprise interest payable on borrowings and related foreign exchange movements on any Euro bank borrowings.

(u) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates that are expected to apply when the temporary differences reverse, based on rates enacted or substantively enacted at the balance sheet date.

Temporary differences relating to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for, other than in a business combination.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related deferred tax benefit will be realised.

(v) Research and development

The Company continuously strives to improve its products and processes through technical and other innovation. Such expenditure is typically expensed to the income statement as the related intellectual property is not capable of being formalised.

Significant accounting policies (continued)

(w) IFRSs available for early adoption not yet applied

The following standards and amendments to standards which will be relevant to the Group, were available for early adoption but have not been applied in these accounts:

- Amendment to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* applicable for accounting periods beginning on or after 1 February 2010.
- Amendment to IFRIC 9 and IAS 39 *Embedded Derivatives* applicable for accounting periods beginning on or after 30 June 2009.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* applicable for accounting periods beginning on or after 30 June 2009.
- Revised IFRS 3 *Business Combinations* applicable for accounting periods beginning on or after 1 July 2009.
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* applicable for accounting periods beginning on or after 1 July 2009.

These standards amendments are not currently expected to have a significant impact on the accounts when they are adopted.

1. Segmental analysis

The introduction of IFRS 8 has necessitated a reassessment of the reportable segments within the Group and the nature of related disclosures. The Board is considered to be the “chief operating decision maker” of the Group in the context of the IFRS 8 definition.

Throughout 2008 and 2009 the Group has progressively been reorganised into a centrally managed business with an integrated supply chain. During 2009 the Group’s 11 operating divisions were reorganised into seven retail regions, each reporting to the Group Retail Director. These retail regions, and their predecessor divisions, have similar economic characteristics, products, customers and production and distribution methods and have therefore been aggregated into a single reportable segment. The segment results, as reported to the chief operating decision maker, are calculated under the principles of IFRS.

Products and services – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its shops.

Major customers – the majority of sales are made to the general public on a cash basis. A small proportion of sales are made on credit to certain organisations but these are immaterial in a group context.

Geographical areas – in early 2009 we exited our Belgian stores, which were insignificant in a group context. All other results arise in the UK.

The Board has carefully considered the requirements of IFRS 8 and concluded that, as there is only one reportable segment whose revenue, profits, assets and liabilities are measured and reported on a consistent basis with the group financial statements no additional numerical disclosures are necessary.

2. Financial Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade and other receivables

The Group's exposure to credit risk is considered not to be significant as sale of goods is for cash. Other receivables are primarily prepaid rent and rates as well as amounts owed from HM Revenue & Customs in respect of VAT. The credit risk on remaining other receivables and trade receivables is therefore not considered significant.

Counterparty risk is also considered low. All of the Group's surplus cash is held with highly rated banks, in line with Group policy.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group operates with net current liabilities because all sales are for cash and limited stocks are held given their perishable nature. It is therefore reliant on the continued strong performance of the retail portfolio to meet its short term liabilities. This is a well established and proven business model. Any increase in short term liquidity risk can be mitigated by reducing the capital expenditure budget. The Group has substantial cash resources at the year end, and if necessary, would be able to obtain substantial debt funding.

The Group has overdraft facilities of £5,000,000 and €3,000,000 of which £5,000,000 and €3,000,000 was undrawn at 2 January 2010 (2008: £3,563,000 and €2,019,000).

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments.

Given that, as explained below, market risk is not significant, sensitivity analysis would not be meaningful.

Currency Risk

Following the exit from the Belgian operation the Group has no regular transactions in foreign currency although there are occasional purchases, mainly of capital items, denominated in foreign currency. Whilst certain costs such as electricity and wheat can be influenced by movements in the US dollar, actual contracts are priced in sterling. In respect of those key costs which are volatile, such as electricity and flour, the price may be fixed for a period of time in line with Group policy. All such contracts are for the Group's own expected usage.

Interest rate

The Group has low exposure to interest rate risk. Interest only arises on its bank deposits and overdrafts. Net financial income in the year was £346,000.

Equity prices

The Group has no equity investments other than its subsidiaries.

2. Financial Risk Management (continued)

Capital Management

The Board defines capital as the equity of the Group. The Group remains net cash positive with funding requirements met by cash generated from retail operations. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to enable successful future development of the business. The Board's policy on dividend levels is to pursue a progressive dividend policy that pays due regard to the growth of earnings per share over the medium term, the cash generative nature of our growing business and our continuing determination to deliver value to our shareholders.

The Board will continue to consider purchasing its own shares in the market dependent on market prices and surplus cash levels. The trustees of the Greggs Employment Benefit Trust also purchase shares for future satisfaction of employee share options. During the year the shareholders approved a ten for one share split in order to make the Company's shares more accessible and appealing, particularly to small shareholders and our own employees.

Financial instruments

Group and Parent Company

All the Group's surplus cash is invested as cash placed on deposit.

The Group's treasury policy has as its principal objective the achievement of the maximum rate of return on cash balances whilst maintaining an acceptable level of risk. Other than mentioned below there are no financial instruments, derivatives or commodity contracts used.

Financial assets and liabilities

The Group's main financial asset comprises cash and cash equivalents. Other financial assets include trade receivables arising from the Group's activities.

Other than trade and other payables, the Group had no financial liabilities within the scope of IAS 39 as at 2 January 2010 (2008: £nil).

Fair values

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values. Financial assets and liabilities comprise principally of trade receivables and trade payables and the only interest bearing balances are the bank deposits and borrowings which attract interest at variable rate.

Interest rate, credit and foreign currency risk

The Group has not entered into any hedging transactions during the year and considers interest rate, credit and foreign currency risks not to be significant.

3. Profit before tax

Profit before tax is stated after charging / (crediting)

	2009	2008
	£'000	£'000
Depreciation on owned property, plant and equipment	**27,218**	26,010
Loss/(profit) on disposal of fixed assets (including disposal of properties – note 4)	**10**	(771)
Release of government grants	**(228)**	(84)
Payments under operating leases – property rents	**42,041**	40,739
Auditors' remuneration		
Audit of these accounts	**179**	178
Audit of subsidiaries' accounts pursuant to legislation	**–**	–
Other services pursuant to such legislation	**3**	3
Audit of pension schemes' accounts	**9**	9
Other services relating to taxation	**94**	58
All other services	**6**	4

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's accounts, have not been disclosed as the information is required instead to be presented on a consolidated basis.

4. Exceptional items

The following items, all relating to 2008, have been presented separately on the face of the consolidated income statement for the comparative period in order to show separately the underlying trading performance of the Group. There are no such items for 2009.

Profit on disposal of properties

During 2008 the Company had a profit on disposal of properties of £1,064,000, principally relating to the disposal of a freehold development site in Scotland.

Curtailment of defined benefit pension scheme

An exceptional credit of £6,969,000 arose on the curtailment of the defined benefit scheme following a change in the calculation assumptions. The scheme is now closed as regards the accrual of future benefits and the assumptions regarding future payments increases were therefore changed from being salary based to inflation based.

Restructuring costs

A one–off restructuring charge of £3,715,000 was taken in 2008 which reflected the expected exit costs from our Belgian operation, the costs of closing two Bakers Oven shops in January 2009 which were not suitable for conversion to Greggs, and an increase in previously disclosed provisions for the restructuring of Bakers Oven in the North and Scotland to reflect the worsening property market. An additional charge of £1,263,000 arose in 2009 but this is not considered material in itself to merit disclosure as an exceptional item.

5. Personnel expenses

The average number of persons employed by the Group (including directors) during the year was as follows:

	Group and Parent Company	
	2009	2008
	Number	Number
Management	**647**	640
Administration	**415**	370
Production	**2,718**	2,788
Shop	**15,264**	15,616
	19,044	19,414

The aggregate personnel costs of these persons were as follows:

		Group and Parent Company	
	Note	**2009**	2008
		£'000	£'000
Wages and salaries		**236,811**	232,601
Compulsory social security contributions		**18,462**	17,207
Pension costs – defined contribution plans	20	**3,351**	2,889
Pension costs – defined benefit plans	20	**379**	(300)
Equity settled transactions	20	**982**	1,047
		259,985	253,444

Included within wages and salaries, the total amount paid out under the Group's employee profit sharing scheme is contained within the main cost categories as follows:

	2009	2008
	£'000	£'000
Cost of sales	**1,389**	1,194
Distribution and selling costs	**3,313**	2,841
Administrative expenses	**641**	559
	5,343	4,594

6. Finance income

	2009	2008
	£'000	£'000
Interest income on cash balances	**209**	428
Foreign exchange gain	**137**	429
	346	857

7. Profit attributable to Greggs plc

Of the Group profit for the year, £34,171,000 (2008: £34,211,000) is dealt with in the accounts of the Parent Company. The Company has taken advantage of the exemption permitted by section 408 of the Companies Act 2006 from presenting its own income statement.

8. Income tax expense

Recognised in the income statement

	2009	2008
	£'000	£'000
Current tax expense		
Current year	**16,410**	14,735
Adjustment for prior years	**(1,157)**	(298)
	15,253	14,437
Deferred tax expense		
Origination and reversal of temporary differences	**(1,299)**	866
Adjustment for prior years	**451**	72
	(848)	938
Total income tax expense in income statement	**14,405**	15,375

Reconciliation of effective tax rate

	2009	**2009**	2008	2008
		£'000		£'000
Profit before tax		**48,779**		49,470
Income tax using the domestic corporation tax rate	**28.0%**	**13,658**	28.5%	14,099
Non–deductible expenses	**0.9%**	**437**	2.7%	1,322
Non–qualifying depreciation	**2.3%**	**1,120**	2.2%	1,092
Disposal of non–qualifying assets	**(0.2%)**	**(104)**	(0.7%)	(334)
Impact of phasing out of Industrial Buildings Allowance	**–**	**–**	(1.2%)	(578)
Adjustment re prior years	**(1.5%)**	**(706)**	(0.4%)	(226)
Total income tax expense in income statement	**29.5%**	**14,405**	31.1%	15,375

8. Income tax expense (continued)

Tax recognised directly in equity

	2009 Current tax £'000	2009 Deferred tax £'000	**2009 Total £'000**	2008 Total £'000
Relating to equity–settled transactions	(3)	(70)	**(73)**	132
Relating to defined benefit plans – actuarial gains (SOCI)	–	(1,938)	**(1,938)**	(3,532)
	(3)	(2,008)	**(2,011)**	(3,400)

9. Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 2 January 2010 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 2 January 2010 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 2 January 2010 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise share options granted to employees) outstanding during the year ended 2 January 2010 as calculated below.

Adjusted earnings per share

Basic and diluted earnings per share have been calculated for the years ended 2 January 2010 and 27 December 2008 which exclude the exceptional items. These have been calculated by dividing profit attributable to ordinary shareholders excluding the exceptional items by the relevant weighted average number of ordinary shares as calculated below.

Profit attributable to ordinary shareholders

	2009 Adjusted and unadjusted	2008 Adjusted	2008	2008 Unadjusted
	Total	Excluding exceptional items	Exceptional items (Note 4)	Total
	£'000	£'000	£'000	£'000
Profit for the financial year attributable to equity holders of the parent	**34,374**	31,119	2,976	34,095
Basic earnings per share	**34.1p**	30.7p	2.9p	33.6p
Diluted earnings per share	**34.0p**	30.6p	2.9p	33.5p

Weighted average number of ordinary shares

	2009	2008*
	Number	Number
Issued ordinary shares at start of year	**103,990,470**	106,350,910
Effect of own shares held	**(3,170,821)**	(3,363,050)
Effect of shares purchased and cancelled	**–**	(1,734,830)
Weighted average number of ordinary shares during the year	**100,819,649**	101,253,030
Effect of share options on issue	**427,864**	411,560
Weighted average number of ordinary shares (diluted) during the year	**101,247,513**	101,664,590

* The figures for 2008 have been adjusted to reflect the ten for one share split which took place during 2009.

10. Intangible assets

Group and Parent Company

	Software
	£'000
Cost	
Balance at 30 December 2007	–
Additions	686
Balance at 27 December 2008	686
Balance at 28 December 2008	**686**
Additions	**–**
Balance at 2 January 2010	**686**
Amortisation	
Balance at 30 December 2007 and 27 December 2008	–
Balance at 28 December 2008	**–**
Amortisation charge for the year	**107**
Balance at 2 January 2010	**107**
Carrying amounts	
At 30 December 2007	–
At 27 December 2008	686
At 28 December 2008	**686**
At 2 January 2010	**579**

The accounting software was available for use on 28 December 2008.

(continued)

11. Property, plant and equipment

Group

	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 30 December 2007	99,777	87,647	145,576	–	333,000
Additions	1,197	7,569	18,101	13,891	40,758
Disposals	(986)	(5,816)	(4,998)	–	(11,800)
Reclassification	6	(331)	325	–	–
Effect of movements in exchange rate	–	19	519	–	538
Balance at 27 December 2008	99,994	89,088	159,523	13,891	362,496
Balance at 28 December 2008	**99,994**	**89,088**	**159,523**	**13,891**	**362,496**
Additions	**1,244**	**10,265**	**17,834**	**953**	**30,296**
Disposals	**(298)**	**(3,987)**	**(6,659)**	**–**	**(10,944)**
Reclassification	**14,844**	**–**	**–**	**(14,844)**	**–**
Balance at 2 January 2010	**115,784**	**95,366**	**170,698**	**–**	**381,848**
Depreciation					
Balance at 30 December 2007	15,558	51,700	68,959	–	136,217
Depreciation charge for the year	2,038	8,877	15,095	–	26,010
Disposals	(520)	(5,449)	(4,402)	–	(10,371)
Effect of movements in exchange rate	–	18	167	–	185
Balance at 27 December 2008	17,076	55,146	79,819	–	152,041
Balance at 28 December 2008	**17,076**	**55,146**	**79,819**	**–**	**152,041**
Depreciation charge for the year	**2,318**	**9,043**	**15,857**	**–**	**27,218**
Disposals	**(80)**	**(3,887)**	**(4,599)**	**–**	**(8,566)**
Balance at 2 January 2010	**19,314**	**60,302**	**91,077**	**–**	**170,693**
Carrying amounts					
At 30 December 2007	84,219	35,947	76,617	–	196,783
At 27 December 2008	82,918	33,942	79,704	13,891	210,455
At 28 December 2008	**82,918**	**33,942**	**79,704**	**13,891**	**210,455**
At 2 January 2010	**96,470**	**35,064**	**79,621**	**–**	**211,155**

Parent Company

	Land and Buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 30 December 2007	100,287	88,180	146,064	–	334,531
Additions	1,197	7,569	18,101	13,891	40,758
Disposals	(986)	(5,816)	(4,998)	–	(11,800)
Reclassification	6	(331)	325	–	–
Effect of movements in exchange rate	–	19	519	–	538
Balance at 27 December 2008	100,504	89,621	160,011	13,891	364,027
Balance at 28 December 2008	**100,504**	**89,621**	**160,011**	**13,891**	**364,027**
Additions	**1,244**	**10,265**	**17,834**	**953**	**30,296**
Disposals	**(298)**	**(3,987)**	**(6,659)**	**–**	**(10,944)**
Reclassification	**14,844**	**–**	**–**	**(14,844)**	**–**
Balance at 2 January 2010	**116,294**	**95,899**	**171,186**	**–**	**383,379**
Depreciation					
Balance at 30 December 2007	15,835	51,970	69,350	–	137,155
Depreciation charge for the year	2,038	8,877	15,095	–	26,010
Disposals	(520)	(5,449)	(4,402)	–	(10,371)
Effect of movements in exchange rate	–	18	167	–	185
Balance at 27 December 2008	17,353	55,416	80,210	–	152,979
Balance at 28 December 2008	**17,353**	**55,416**	**80,210**	**–**	**152,979**
Depreciation charge for the year	**2,318**	**9,043**	**15,857**	**–**	**27,218**
Disposals	**(80)**	**(3,887)**	**(4,599)**	**–**	**(8,566)**
Balance at 2 January 2010	**19,591**	**60,572**	**91,468**	**–**	**171,631**
Carrying amounts					
At 30 December 2007	84,452	36,210	76,714	–	197,376
At 27 December 2008	83,151	34,205	79,801	13,891	211,048
At 28 December 2008	**83,151**	**34,205**	**79,801**	**13,891**	**211,048**
At 2 January 2010	**96,703**	**35,327**	**79,718**	**–**	**211,748**

11. Property, plant and equipment (continued)

Land and buildings

The carrying amount of land and building comprises:

	Group		Parent Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Freehold property	**95,490**	81,827	**95,723**	82,060
Long leasehold property	**883**	1,007	**883**	1,007
Short leasehold property	**97**	84	**97**	84
	96,470	82,918	**96,703**	83,151

Property, plant and equipment under construction

Assets under construction at 27 December 2008 comprised a new bakery.

12. Investments

Parent Company

	Shares in subsidiary undertakings
	£'000
Cost	
As at 30 December 2007, 27 December 2008 and 2 January 2010	**5,828**
Impairment	
As at 30 December 2007 and 27 December 2008	**638**
Impairment charge for the year	**203**
As at 2 January 2010	**841**
Carrying amount	
As at 30 December 2007 and 27 December 2008	**5,190**
As at 2 January 2010	**4,987**

The Company's subsidiary undertakings, which are all wholly owned, are as follows:

	Principal activity	Country of incorporation
Charles Bragg (Bakers) Limited	Non–trading	England and Wales
Greggs (Leasing) Limited	Dormant	England and Wales
Thurston Parfitt Limited	Non–trading	England and Wales
Greggs Properties Limited	Property holding	England and Wales
Olivers (U.K.) Limited	Dormant	Scotland
Olivers (U.K.) Development Limited*	Non–trading	Scotland
Birketts Holdings Limited	Dormant	England and Wales
J.R. Birkett and Sons Limited*	Non–trading	England and Wales
Greggs Trustees Limited	Trustees	England and Wales

* held indirectly

13. Deferred tax assets and liabilities

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Property, plant and equipment	**–**	–	**14,385**	14,828	**14,385**	14,828
Employee benefits	**(4,004)**	(1,800)	**–**	–	**(4,004)**	(1,800)
Short term temporary differences	**(1,083)**	(874)	**–**	–	**(1,083)**	(874)
Tax (assets) / liabilities	**(5,087)**	(2,674)	**14,385**	14,828	**9,298**	12,154

The movements in temporary differences during the year ended 27 December 2008 were as follows:

	Balance at 30 December 2007	Recognised in income	Recognised in equity	Balance at 27 December 2008
	£'000	£'000	£'000	£'000
Property, plant and equipment	15,804	(976)	–	14,828
Employee benefits	(965)	2,264	(3,099)	(1,800)
Short term temporary differences	(524)	(350)	–	(874)
	14,315	938	(3,099)	12,154

The movements in temporary differences during the year ended 2 January 2010 were as follows:

	Balance at 28 December 2008	Recognised in income	Recognised in equity	**Balance at 2 January 2010**
	£'000	£'000	£'000	**£'000**
Property, plant and equipment	14,828	(443)	–	**14,385**
Employee benefits	(1,800)	(196)	(2,008)	**(4,004)**
Short term temporary differences	(874)	(209)	–	**(1,083)**
	12,154	(848)	(2,008)	**9,298**

Parent Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Property, plant and equipment	**–**	–	**13,646**	14,089	**13,646**	14,089
Employee benefits	**(4,004)**	(1,800)	**–**	–	**(4,004)**	(1,800)
Short term temporary differences	**(1,083)**	(874)	**–**	–	**(1,083)**	(874)
Tax (assets) / liabilities	**(5,087)**	(2,674)	**13,646**	14,089	**8,559**	11,415

13. Deferred tax assets and liabilities (continued)

The movements in temporary differences during the year ended 27 December 2008 were as follows:

	Balance at 30 December 2007 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 27 December 2008 £'000
Property, plant and equipment	15,065	(976)	–	14,089
Employee benefits	(965)	2,264	(3,099)	(1,800)
Short term temporary differences	(524)	(350)	–	(874)
	13,576	938	(3,099)	11,415

The movements in temporary differences during the year ended 2 January 2010 were as follows:

	Balance at 28 December 2008 £'000	Recognised in income £'000	Recognised in equity £'000	**Balance at 2 January 2010 £'000**
Property, plant and equipment	14,089	(443)	–	**13,646**
Employee benefits	(1,800)	(196)	(2,008)	**(4,004)**
Short term temporary differences	(874)	(209)	–	**(1,083)**
	11,415	(848)	(2,008)	**8,559**

14. Inventories

	Group and Parent Company	
	2009 £'000	2008 £'000
Raw materials and consumables	**8,999**	8,801
Work in progress	**2,887**	3,351
	11,886	12,152

15. Trade and other receivables

	Group and Parent Company	
	2009 £'000	2008 £'000
Trade receivables	**709**	387
Other receivables	**5,944**	8,438
Prepayments	**14,553**	13,873
	21,206	22,698

No amounts are overdue and there is no provision for impairment in the current or prior year.

16. Cash and cash equivalents

	Group and Parent Company	
	2009	2008
	£'000	£'000
Cash and cash equivalents in the balance sheet	**34,619**	4,433
Bank overdraft	**–**	(2,375)
Cash and cash equivalents in the statement of cash flows	**34,619**	2,058

17. Trade and other payables

	Group		Parent Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank overdraft	**–**	2,375	**–**	2,375
Trade payables	**35,167**	26,807	**35,167**	26,807
Amounts owed to subsidiary undertakings	**–**	–	**7,807**	7,807
Other taxes and social security	**7,122**	6,136	**7,122**	6,136
Other payables	**13,236**	15,423	**13,236**	15,423
Accruals and deferred income	**15,748**	11,805	**15,748**	11,805
Deferred government grants	**465**	215	**465**	215
	71,738	62,761	**79,545**	70,568

18. Current tax liability

The current tax liability of £8,857,000 in the Group and the Parent Company (2008: Group and Parent Company £8,337,000) represents the estimated amount of income taxes payable in respect of current and prior years.

19. Other payables

	Group and Parent Company	
	2009	2008
	£'000	£'000
Deferred government grants	**8,830**	8,221

The Group has been awarded five government grants relating to the extension of existing facilities and construction of new facilities. The grants, which have all been recognised as deferred income, are being amortised over the weighted average of the useful lives of the assets they have been used to acquire.

20. Employee benefits

Defined benefit plan

The Group makes contributions to a defined benefit (final salary) plan that provides pension benefits for employees upon retirement.

	Group and Parent Company	
	2009	2008
	£'000	£'000
Present value of funded obligations	**(87,211)**	(69,563)
Fair value of plan assets	**74,879**	63,830
Recognised liability for defined benefit obligations	**(12,332)**	(5,733)

This scheme was closed to future accrual in 2008.

Liability for defined benefit obligations

Changes in the present value of the defined benefit obligation are as follows:

	Group and Parent Company	
	2009	2008
	£'000	£'000
Opening defined benefit obligation	**69,563**	78,461
Service cost	**–**	600
Interest cost	**4,387**	4,488
Actuarial losses / (gains)	**15,538**	(5,133)
Benefits paid	**(2,277)**	(2,076)
Contributions by employees	**–**	192
Gain on curtailment of scheme	**–**	(6,969)
	87,211	69,563

Changes in the fair value of plan assets are as follows:

	Group and Parent Company	
	2009	2008
	£'000	£'000
Opening fair value of plan assets	**63,830**	77,781
Expected return	**4,008**	5,388
Actuarial gains / (losses)	**8,618**	(17,747)
Contributions by employer	**700**	292
Contributions by employee	**–**	192
Benefits paid	**(2,277)**	(2,076)
Closing fair value of plan assets	**74,879**	63,830

The amounts recognised in the income statement are as follows:

	Group	
	2009	2008
	£'000	£'000
Current service cost	**–**	600
Interest on obligation	**4,387**	4,488
Expected return on plan assets	**(4,008)**	(5,388)
Gain on curtailment of scheme	**–**	(6,969)
Total included in employee benefit expense	**379**	(7,269)

The charge (credit) is recognised in the following line items of the income statement.

	Group	
	2009	2008
	£'000	£'000
Cost of sales	**–**	(63)
Distribution and selling costs	**–**	(91)
Administrative expenses	**379**	(146)
Other income	**–**	(6,969)
	379	(7,269)

Cumulative actuarial gains and losses reported in the statement of recognised income and expenses since 28 December 2003, the transition date to adopted IFRSs, for the Group and the Parent Company are net losses of £18,631,000 (2008: net losses of £11,711,000).

The fair value of the plan assets and the return on those assets were as follows:

	Group and Parent Company	
	2009	2008
	£'000	£'000
Equities	**60,340**	43,519
Bonds	**10,079**	6,127
Property	**1,201**	605
Cash/other	**3,259**	13,579
	74,879	63,830
Actual return on plan assets	**12,626**	(12,359)

The plan assets include ordinary shares issued by the Company with a fair value of £2,283,000 (2008: £1,840,000).

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

20. Employee benefits (continued)

Principal actuarial assumptions (expressed as weighted averages):

	Group and Parent Company	
	2009	2008
Discount rate	**5.8%**	6.4%
Expected rate of return on plan assets	**6.9%**	6.4%
Future salary increases	**n/a**	n/a
Future pension increases	**3.0%**	2.9%

Mortality rate assumptions have been taken from the A92 pre–retirement and AP92c2025 post–retirement tables. The mortality assumptions take account of experience to date and assumptions for further improvements in life expectancy of scheme members.

Examples of the resulting life expectancies are as follows:

Life expectancy from age 65 (years)	**2009**		**2008**	
	Male	**Female**	Male	Female
Member aged 65 in 2009	**21.4**	**23.9**	21.4	23.9
Member aged 65 in 2029	**23.4**	**25.7**	23.4	25.7

The other demographic assumptions have been set having regard to latest trends in the scheme.

History of plan

The history of the plan for current and prior years is as follows:

	Group and Parent Company				
	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	**(87,211)**	(69,563)	(78,461)	(74,823)	(69,538)
Fair value of plan assets	**74,879**	63,830	77,781	72,940	59,808
Deficit	**(12,332)**	(5,733)	(680)	(1,883)	(9,730)

Experience adjustments:

	Group and Parent Company									
	2009		2008		2007		2006		2005	
	£'000		£'000		£'000		£'000		£'000	
Experience adjustments on plan liabilities	**(15,538)**	**17.8%**	5,133	7.4%	2,207	2.8%	180	0.2%	(6,414)	9.2%
Experience adjustments on plan assets	**8,618**	**11.5%**	(17,747)	27.8%	(797)	1.0%	2,561	3.5%	4,069	6.8%
Net actuarial experience adjustments	**(6,920)**		(12,614)		1,410		2,741		(2,345)	

The Group expects to contribute £600,000 to its defined benefit plan in 2010.

Defined contribution plan

The Company also operates defined contribution schemes for other eligible employees. The assets of the schemes are held separately from those of the Group. The pension cost represents contributions payable by the Group and amounted to £3,351,000 (2008: £2,889,000) in the year.

Share–based payments – Group and Parent Company

The Group has established a Savings Related Share Option Scheme, which granted options in April 2003, September 2004, September 2005, September 2006, June 2008 and September 2009 and an Executive Share Option Scheme, which granted options in September 2003, March 2004, August 2004, September 2004, August 2006, April 2008 and April 2009.

Both of these schemes also made grants of options prior to 7 November 2002. The recognition and measurement principles of IFRS 2 have not been applied to these grants in accordance with the transitional provisions in IFRS 1 and IFRS 2.

The Company established a Long–Term Incentive Plan in 2006 and grants of options have been made under this scheme in March 2007, March 2008 and August 2008.

20. Employee benefits (continued)

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	Date of grant	Employees entitled	Exercise price	Number of shares granted	Vesting conditions	Contractual life
Executive Share Option Scheme 6	March 1999	Senior employees	268p	1,002,500	Three years' service and EPS growth of 2–4% over RPI on average over those three years	7 to 10 years
Executive Share Option Scheme 7	March 2000	Senior employees	170p	1,502,000	Three years' service and EPS growth of 2% over RPI on average over those three years	7 to 10 years
Executive Share Option Scheme 8	April 2002	Senior employees	352p	88,000	Three years' service and EPS growth of 2–4% over RPI on average over those three years	7 to 10 years
Executive Share Option Scheme 9	September 2003	Senior employees	310p	82,500	Three years' service and EPS growth of 2% over RPI on average over those three years	10 years
Executive Share Option Scheme 11	August 2004	Senior employees	340p	930,000	Three years' service and EPS growth of 3–5% over RPI on average over those three years	10 years
	September 2004	Senior employees	348p	24,000	Three years' service and EPS growth of 3–5% over RPI on average over those three years	10 years
Savings Related Share Option Scheme 8	September 2005	All employees	411p	641,480	Three years' service	3.5 years
Executive Share Option Scheme 12	August 2006	Senior employees	407p	1,028,000	Three years' service and EPS growth of 3–5% over RPI on average over those three years	10 years
Savings Related Share Option Scheme 9	September 2006	All employees	371p	662,770	Three years' service	3.5 years
Long Term Incentive Plan 1	March 2007	Senior executives	nil	30,780	Three years' service and EPS growth of 3–7.5% over RPI on average over those three years	10 years
Long Term Incentive Plan 2	March 2008	Senior executives	nil	126,600	Three years' service and EPS growth of 3–10% over RPI on average over those three years	10 years
Executive Share Option Scheme 13	April 2008	Senior employees	457p	618,500	Three years' service and EPS growth of 3–5% over RPI on average over those three years	10 years
Savings Related Share Option Scheme 10	June 2008	All employees	393p	761,020	Three years' service	3.5 years
Long Term Incentive Plan 3	August 2008	Senior executives	nil	180,210	Three years' service and EPS growth of 3–10% over RPI on average over those three years	10 years
Executive Share Option Scheme 14	April 2009	Senior employees	356p	2,012,000	Three years' service and EPS growth of 3–7% over RPI on average over those three years	10 years
Savings Related Share Option Scheme 11	September 2009	All employees	354p	717,837	Three years' service	3.5 years

The number and weighted average exercise price of share options is as follows:

	2009		2008*	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**366p**	**4,063,500**	378p	2,673,580
Lapsed during the year	**408p**	**(1,008,453)**	371p	(221,080)
Exercised during the year	**364p**	**(510,964)**	291p	(75,330)
Granted during the year	**355p**	**2,729,837**	345p	1,686,330
Outstanding at the end of the year	**353p**	**5,273,920**	366p	4,063,500
Exercisable at the end of the year	**379p**	**994,061**	374p	889,840

* figures for 2008 have been adjusted to reflect the ten for one share split which took place during 2009

The options outstanding at 2 January 2010 have an exercise price in the range of £nil to £4.57 and have a weighted average contractual life of 5.1 years. The options exercised during the year had a weighted average market value of £4.24 (2008: £4.34).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black–Scholes model. The contractual life of the option is used as an input into this model.

	2009		2008			
	Executive Share Option Scheme 14	**Savings Related Share Option Scheme 11**	Long Term Incentive Plan 2	Executive Share Option Scheme 13	Savings Related Share Option Scheme 10	Long Term Incentive Plan 3
	April 2009*	**September 2009**	March 2008*	April 2008*	June 2008*	August 2008*
Fair value at grant date	**47p**	**64p**	412p	76p	92p	340p
Share price	**356p**	**393p**	448p	458p	438p	376p
Exercise price	**356p**	**354p**	nil	458p	394p	nil
Expected volatility	**25.0%**	**25.1%**	21.8%	21.9%	21.9%	22.8%
Option life	**3 years**	**3 years**	3 years	3 years	3 years	3 years
Expected dividends	**4.18%**	**4.26%**	2.77%	2.71%	2.83%	3.38%
Risk free rate	**2.20%**	**1.95%**	5.25%	5.00%	5.00%	5.00%

* figures for early 2009 and 2008 have been adjusted to reflect the ten for one share split which took place during 2009.

20. Employee benefits (continued)

The expected volatility is based on historical volatility, adjusted for any expected changes to future volatility due to publicly available information. The historical volatility is calculated using a weekly rolling share price for the three year period immediately prior to the option grant date.

Share options are granted under a service condition and, for grants to senior employees, a non–market performance condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The costs charged to the income statement relating to share based payments were as follows:

	2009	2008
	£'000	£'000
Share options granted in 2005	**–**	129
Share options granted in 2006	**161**	236
Share options granted in 2007	**(24)**	100
Share options granted in 2008	**575**	582
Share options granted in 2009	**270**	–
Total expense recognised as employee costs	**982**	1,047

21. Provisions

	Group and Parent Company	
	Closed Shop Provision	
	2009	2008
	£'000	£'000
Balance at start of year	**5,271**	–
Additional provision in the year	**1,263**	3,715
Transfer from trade and other payables	**–**	1,556
Utilised in year	**(2,381)**	–
Balance at end of year	**4,153**	5,271
Included in current liabilities	**857**	2,843
Included in non–current liabilities	**3,296**	2,428
	4,153	5,271

The closed shop provision relates to costs in respect of the closure of shops and in particular the onerous lease and other commitments associated with the closure of a shop. Included within the provision is £199,000 in respect of possible recourse on leases transferred to the purchaser on the sale of the Belgian operation.

The key area of uncertainty relates to the net future rental costs to be incurred on closed shops and, in particular, whether the shops can be sublet until lease exit. The provision assumes that subletting is unlikely in the current climate. The provision is expected to be substantially utilised within three years such that the impact of discounting would not be material.

22. Capital and reserves

Share capital

	Ordinary shares	
	2009	2008
	Number	Number
In issue and fully paid at start of year – ordinary shares of 20p	**10,399,047**	10,635,091
Purchased and cancelled	**–**	(236,044)
Additional shares resulting from ten for one share split – ordinary shares of 2p	**93,591,423**	–
In issue and fully paid at the end of the year – ordinary shares of 2p	**103,990,470**	10,399,047

At 2 January 2010 the authorised share capital comprised 250,000,000 ordinary shares with a par value of 2p each (2008: 25,000,000 with a par value of 20p each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During 2008 236,044 shares with a nominal value of £47,000 were purchased for cancellation for a consideration of £9,738,000.

Capital redemption reserve

The capital redemption reserve relates to the nominal value of issued share capital bought back by the Company and cancelled.

Own shares held

Deducted from retained earnings is £12,060,000 (2008: £13,242,000) in respect of own shares held by the Greggs Employee Benefit Trust. The Trust, which was established during 1988 to act as a repository of issued Company shares, holds 2,895,636 shares (2008: 3,257,740 shares) with a market value at 2 January 2010 of £12,596,000 (2008: £11,415,000) which have not vested unconditionally in employees.

The shares held by the Greggs Employee Benefit Trust can be purchased either by employees on the exercise of an option under the Greggs Executive Share Option Schemes, Greggs Savings Related Share Option Schemes and Greggs Long Term Incentive Plan 2006 or by the trustees of the Greggs Employee Share Scheme. The trustees have elected to waive the dividends payable on these shares.

Dividends

The following tables analyse dividends when paid and the year to which they relate:

	2009	2008
	Per share	Per share
	pence	pence
2007 final dividend*	**–**	9.4p
2008 interim dividend*	**–**	4.9p
2008 final dividend*	**10.0p**	–
2009 interim dividend	**5.2p**	–
	15.2p	14.3p

*These amounts have been restated to reflect the ten for one share split which took place during the year.

22. Capital and reserves (continued)

The proposed final dividend in respect of 2009 amounts to 11.4 pence per share (£11,855,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2009	2008
	£'000	£'000
2007 final dividend	**–**	9,565
2008 interim dividend	**–**	4,970
2008 final dividend	**10,097**	–
2009 interim dividend	**5,242**	–
	15,339	14,535

23. Operating leases

Non–cancellable operating lease rentals are payable as follows:

	2009	2008
	£'000	£'000
Less than one year	**34,791**	34,780
Between one and five years	**101,677**	102,268
More than five years	**56,080**	46,090
	192,548	183,138

The Group leases the majority of its shops under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are generally increased every five years to reflect market rentals. For a small number of the leases the rental is contingent on the level of turnover achieved in the relevant unit.

The inception of the shop leases has taken place over a long period of time and many date back a significant number of years. They are combined leases of land and buildings. It is not possible to obtain a reliable estimate of the split of the fair values of the lease interest between land and buildings at inception. Therefore, in determining lease classification the Group evaluated whether both parts are clearly an operating lease or a finance lease. Firstly, land title does not pass. Secondly, because the rent paid to the landlord for the buildings is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building it is judged that substantially all the risks and rewards of the building are with the landlord. Based on these qualitative factors it is concluded that the leases are operating leases.

24. Capital commitments

During the year ended 2 January 2010, the Group entered into contracts to purchase property, plant and equipment for £804,000 (2008: £1,308,000). These commitments are expected to be settled in the following financial year.

25. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 12) and its directors and executive officers.

Trading transactions with subsidiaries – Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are therefore not disclosed.

Trading transactions with subsidiaries – Parent Company

	Amounts owed to related parties		Amounts owed by related parties	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Greggs Properties Limited	**1,375**	1,375	**–**	–
Dormant subsidiaries	**6,432**	6,432	**–**	–

The Greggs Foundation is also a related party and during the year the Company made a donation to the Greggs Foundation of £300,000 (see Corporate Social Responsibility on pages 20 to 24).

25. Related parties (continued)

Transactions with key management personnel

The directors are the key management personnel of the Group. The Company has been notified of the following interests of the directors who served during the year (including those of their connected persons but excluding interests in shares pursuant to unexercised share options) in the share capital of the Company as follows:

	Ordinary shares of 2p (Beneficial interest)		Ordinary shares of 2p (Trustee holding with no beneficial interest)	
	2009 (or date of cessation if earlier)	2008# (or date of appointment if later)	**2009** (or date of cessation if earlier)	2008# (or date of appointment if later)
Mike Darrington (non–executive)	**338,000**	363,000	**–**	–
Kennedy McMeikan	**57,860**	53,160	**–**	–
Richard Hutton	**27,117**	23,330	**1,650,000***	2,150,000*
Raymond Reynolds	**43,730**	43,280	**–**	–
Derek Netherton (non–executive)	**10,000**	10,000	**–**	–
Bob Bennett (non–executive)	**–**	–	**–**	–
Julie Baddeley (non–executive)	**–**	–	**–**	–
Roger Whiteside	**12,253**	–	**–**	–
Iain Ferguson (appointed 31 March 2009)	**10,000**	–		

the figures for 2008 have been adjusted to reflect the ten for one share split which took place during 2009.

* Included within the holding of A. J. Davison referred to on page 33.

Details of directors' share options, emoluments, pension benefits and other non–cash benefits can be found in the Directors' Remuneration report on pages 77 to 88. Total remuneration is included in personnel expenses (see note 5).

There have been no changes since 2 January 2010 in the directors' interests noted above.

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"). This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and the relevant provisions of the Companies Act 2006 and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether, in their opinion, that part of the report has been properly prepared. This report has, therefore, been divided into separate sections for audited and unaudited information.

Unaudited information

The Remuneration Committee of the Board (the "Committee") sets the remuneration and terms of appointment of the executive directors and the Chairman on behalf of the Board.

The committee met 5 times during 2009 with each member attending as follows:

Name	Number of meetings held whilst a Committee member	Number of meetings attended by a Committee member
Julie Baddeley	5	5
Bob Bennett	5	5
Roger Whiteside	5	5
Iain Ferguson*	3	2

* Joined the Committee in March 2009

At these meetings, amongst other items, the Committee considered:

- The terms of service and remuneration levels for Executive Directors
- The competitiveness of the Company's total reward package, including the level of annual and long–term incentive opportunity
- The effectiveness of the annual bonus and long–term incentive plans

In addition, each year the Committee considers Greggs total remuneration policy in the context of market and best practice.

Andrew Davison (the Company Secretary and legal advisor) and Nicola Bailey (the Company's Group People Director) have supported the Committee in their deliberations. The Committee appointed Monks Partnership to assist in generally determining the remuneration of its senior management team and devising share based incentive plans.

Directors' Remuneration Report

(continued)

General Policy on Directors' Remuneration

The Committee's policy is to provide competitive remuneration packages that will attract, retain and motivate individuals with appropriate skills and experience with the incentive to add sustainable long–term growth and value that will best serve the interests of the Company, its shareholders, employees and customers. Basic salaries and total packages are set to reflect the market. They are regularly benchmarked by external consultants against the median level payments made to executives in similar roles in companies of comparative size, sector and complexity (which exercise was last conducted by Monks Partnership in 2009).

The Committee seeks to structure bonus arrangements that will align the interests of executive directors with those of shareholders. The Committee considers corporate performance on risk, governance, environmental and social issues when setting the remuneration of executive directors.

Overview of Remuneration Policy

	Objective	Performance period	Basis of delivery
Base Salary	• Reflects market levels based on role and individual skill and experience	• Reviewed annually	• Individual performance and contribution recognised to ensure market competitiveness
Annual Bonus (inc Profit Share) Maximum earning opportunity of 90% of salary for all Executive Directors from 2010	• Incentivises achievement of annual targets and objectives consistent with the short to medium term strategic needs of the business	• Reviewed annually	• Balanced approach based on stretching financial (profit and sales) targets and personal objectives (related to functional KPI's)
LTIP (Performance Share Plan) Maximum awards of 90% of salary for CEO and 70% of salary for other Executive Directors	• Incentivises long–term value creation • Alignment with shareholders interests • Retention incentive	• Annual award • Three year performance period	• Award subject to a combination of demanding TSR and EPS targets • Maximum reward will only occur for upper quartile performance • Minimum vesting 25%
Pension	• Provides a market competitive level of provision with good flexibility while minimising risk to the Company	• Cost increases in line with salary growth	• Defined contribution benefits

Base Salary

The increase in base salaries for 2010 for executive directors was 2%, in line with the award given to all employees across the business. However, following the benchmarking exercise the salary level for Richard Hutton was further reviewed as it was seen to have fallen to below the lower quartile in the appropriate comparator group. As a result of this review a further 5.5% was awarded in addition to the all employee base review of 2%, taking him further towards the market median for a fully established Finance Director.

Annual Bonus
The Committee seeks to structure annual bonus arrangements so as to encourage sustainable growth in the Company's profits; and is satisfied that the structure will not raise environmental, social or governance risks by inadvertently encouraging irresponsible behaviour. Each executive director has a personal objective to ensure they monitor and take appropriate action to minimise key business risks. The Committee's policy is that all bonus payments to executive directors should be non–pensionable. For 2009 the maximum target bonus levels were established on the following basis:

Maximum 2009 bonus achievable				
	Financial Target (Profit)	Financial Target (Sales)	Personal Objectives (related to functional KPI's)	Percentage of basic salary
Kennedy McMeikan	60%	20%	20%	90%
Richard Hutton	60%	20%	20%	70%
Raymond Reynolds	60%	20%	20%	70%

Whilst each element could be measured separately, failure to exceed the profit level achieved in 2008 would have resulted in no bonus being earned for either the profit or sales elements in 2009.

Against the 2009 Annual Bonus targets a payment of 27% of annual salary has been earned by Kennedy McMeikan, 21% by Richard Hutton and 20% by Raymond Reynolds.

Following the benchmarking exercise against median level payments made to executives in comparator companies it was noted that we had fallen significantly behind the market in the maximum earning opportunity for executive directors. We have therefore reviewed the maximum earning opportunity for 2010 for Richard Hutton and Raymond Reynolds and increased the level to 90% of base salary. The maximum earning opportunity for Kennedy McMeikan remains unchanged at 90%.

For 2010 the maximum target bonus levels will be established on the following basis, which the Remuneration Committee consider to be suitably challenging:

Maximum 2010 bonus achievable				
	Financial Target (Profit)	Financial Target (Sales)	Personal Objectives (related to functional KPI's)	% of base salary
Kennedy McMeikan	60%	20%	20%	90%
Richard Hutton	60%	20%	20%	90%
Raymond Reynolds	60%	20%	20%	90%

Whilst each element can be measured separately, failure to exceed the profit level achieved in 2009 will result in no bonus being earned for either the profit or sales elements in 2010.

Long–Term Incentive Plans ("LTIP")

Performance Share Plan

Shareholder approval was obtained in 2009 for the introduction of a Performance Share Plan (PSP) from 2010. The plan replaces the previous Deferred Bonus LTIP for executive directors, which was dependent on the level of annual bonus award and therefore balanced more towards short term performance.

The introduction of a Performance Share Plan under which an award of shares will be made that is in line with the level awarded under the previous LTIP, restricted for three years and vesting in full or part subject to the achievement of a combination of earnings per share (EPS) growth and total shareholder return (TSR) targets, is designed to provide a greater focus on achieving key long–term business goals and increased shareholder value. The first awards under the PSP to be made in 2010 will have the following targets set:

	EPS		TSR	
	Annual compound growth	Proportion of award vesting (% opportunity)	Position relative to appropriate group of FTSE 250 Food Producers, Retailers & Leisure Companies	Proportion of award vesting (% opportunity)
	Less than RPI + 3%	Nil	Below median	Nil
Threshold	RPI + 3%	12.5%	At median	12.5%
Maximum	RPI + 8%	50%	Upper quartile	50%

Following the introduction of this plan the Remuneration Committee will now be considering a policy on share ownership guidelines for executive directors.

The comparator group was established following a comprehensive review, including advice taken from Monks, and consists of 28 companies who are General Retailers, Food Producers/Manufacturers or Leisure Companies and who were the most appropriate from the FTSE 250. They are:

- Brown (N) Group
- Carpetright
- Cranswick
- Dairy Crest
- Debenhams
- Dignity
- Domino's Pizza
- DSG International
- Dunelm Group
- Game Group
- Greene King
- Halfords Group
- HMV Group
- Inchcape
- Kesa Electricals
- Marston's
- Millennium & Copthorne Hotels
- Mitchells & Butlers
- Mothercare
- Northern Foods
- Premier Foods
- Rank Group
- Restaurant Group
- Robert Wiseman Dairies
- Sports Direct Intl.
- Tate & Lyle
- Wetherspoon (JD)
- WH Smith

Other share based incentive schemes

Deferred Bonus Scheme

Under this scheme, the Committee had discretion to invite the participants (including executive directors) to utilise a proportion (not more than 50%) of their post tax annual bonus (including profit share) to acquire shares in the Company and then grant nil cost options to match the pre–tax value of the sum invested. These nil cost options were exercisable normally after three years, and only if certain performance criteria have been met.

For the initial award, made in 2007, performance targets were set at average growth in earnings per share of 3% above RPI for a 1:1 match and 7.5% above RPI for a 2:1 match, with a straight line graph indicating the relevant match for performance in between. Following the three year performance period the conditions have been fully met for this initial award resulting in a 2:1 match being awarded to Richard Hutton, who has an option over 8,120 shares, and Raymond Reynolds, who has an option over 6,100 shares.

For the award in 2008 the performance targets were set at average growth in earnings per share of 3% above the RPI for a 1:1 match and 10% above the RPI for a 2:1 match, providing a further stretch in order to achieve the maximum award.

Given the very low level of bonus payments awarded following the year 2008, the Committee did not offer participation in this LTIP in 2009. As previously outlined a Performance Share Plan has replaced this LTIP from 2010, and therefore the Committee will offer no further participation in this previous scheme.

Executive Share Option Scheme

There have also been occasional grants to the executive directors of options over shares in the Company, pursuant to one or more of the share option schemes operated through the Committee. These include both Inland Revenue approved and unapproved long–term share incentive schemes, designed to encourage the executive directors and other employees to hold shares in the Company and to enhance share values.

As no participation into the Deferred Bonus LTIP was offered in 2009 an award of share options was made to each executive director in line with such existing schemes. The level of award granted to each executive director was:

	Award Granted (shares)
Kennedy McMeikan	80,000
Richard Hutton	80,000
Raymond Reynolds	80,000

The performance conditions set under this grant were growth in earnings per share of 3% above RPI for the minimum vesting and growth of 7% above RPI for maximum vesting.

In accordance with institutional investor guidelines, the total number of new shares and shares held in treasury over which the Company may grant options is limited and the Company has chosen to allocate a significant proportion of the shares available to the Company's Savings Related Share Option Scheme open to all employees, including executive directors. Any future grants of executive share options to executive directors will be based upon the need to secure individuals of appropriate calibre, having regard to prevailing market conditions at the date of appointment or to help to align the interests of executive directors with those of shareholders, especially if the LTIP is not available to a particular individual, or where the Committee considers it appropriate.

The above policies enable the executive directors to receive potentially significant benefits in addition to their basic salaries, but only if value has been created for shareholders. The Committee considers that, although the non–performance related elements of the executive directors' remuneration packages are substantial, the performance related elements are significant in terms of providing motivation to the executive directors to improve shareholder value.

Policy on Performance Conditions

The performance conditions attaching to share options granted to the executive directors under the Company's Senior Executive Share Option Schemes have varied according to the date of grant. Such conditions are set by the Committee to establish challenging performance objectives linked to shareholder return. Executive directors are not eligible to have executive share options granted in the same year as participation in the LTIP. The Committee intends that if any executive share options are granted in the future, performance conditions will continue to be settled on this basis. Details of the performance conditions for options currently outstanding are set out in the section headed 'Share Options' below.

Whether performance conditions attached to share options have been met is tested by the Committee, which compares the actual performance of the Company with relevant published statistics and, if necessary, obtains advice from external consultants in order to reach its conclusion.

No performance conditions have been attached to options granted pursuant to the Company's Savings Related Share Option Scheme, which is available for all employees. The principal purpose of this scheme is to encourage employees at all levels within the Company to participate in, and to understand better, the growth in value of the Company and the rules of that scheme require that all options granted must be on the same terms.

Performance criteria in relation to the performance based annual cash bonuses payable to the executive directors are set by the Committee each year in accordance with the general remuneration policy set out above.

Policy on Pensions

Until the scheme was closed to further accrual from 1 April 2008, executive directors earned pension benefits under the Greggs 1978 Retirement & Death Benefit Scheme, the Company's defined benefit scheme. This scheme, which required a contribution of 6.6% of pensionable salaries from members, provided for up to two–thirds of final pensionable salary, dependent on length of pensionable service. Since 1 April 2008, the Company has paid contributions to the Company's money purchase defined contribution pension schemes for all executive directors.

Policy on Service Contract Notice Periods and Payments on Early Termination

The Company's policy on the duration of directors' contracts is that:

- the Chief Executive's service contract is terminable on one year's notice served by either the Company or the director
- other existing executive directors' service contracts are terminable on one year's notice served by the Company or by six months' notice served by the director;
- future executive directors will be engaged on terms necessary to secure individuals of appropriate calibre, having regard to prevailing market conditions at that time;
- It is the Company's policy to seek mitigation of entitlements on termination and the Company does not normally make payments beyond its contractual obligations, including any payment in respect of notice to which a director is entitled.

- non–executive directors are appointed subject to the Company's Articles of Association, which require them to retire and to seek re–election at the first AGM after appointment. Any non–executive director who has served on the Board for over nine years must seek re–election annually. Thereafter, one half of the remaining directors, being those who have been longest in office since last re–election, and any other director who has not been elected or re–elected at either of the two preceding AGMs, must retire and seek re–election. The Nominations Committee advises the Board as to whether a particular director, whose turn it is to retire by rotation, should be nominated for re–election.

Non–executive directors are not entitled to compensation for early termination of their appointments prior to the date on which they would next be due to retire by rotation, or if not re–appointed at such time.

Directors' service contracts

Details of the directors' service contracts or letters of appointment are as follows:

Executive Directors

Kennedy McMeikan has a service contract with the Company dated 8th April 2008. His continuous period of service with the Company commenced on 1st June 2008.

Richard Hutton has a service contract with the Company dated 7 April 2006. His continuous period of service with the Company commenced on 1 January 1998.

Raymond Reynolds has a service contract with the Company dated 18 December 2006. His continuous period of service with the Company commenced on 1 December 1986.

In addition to their basic salaries, each is entitled to participate in the Company's profit sharing scheme available to all employees. They are also entitled to additional benefits including membership of the company pension scheme, the use of a motor car, private medical insurance, life assurance, permanent health insurance and a contribution towards telephone expenses.

Non Executive Directors

In order to ensure that no director is involved in deciding his/her own remuneration, the fees payable to non–executive directors (other than the Chairman) are set, after consultation with the Chairman, by a committee of the Board consisting only of executive directors (Kennedy McMeikan, Richard Hutton and Raymond Reynolds) who periodically seek advice from external consultants as to the appropriate market rates applicable. Such advice was obtained in 2009 from Monks Partnership, as a result of which increases were awarded in January 2010 which reflect appropriate market rates.

The basic non–executive fees for 2010 are £37,000 per annum, including membership of committee(s), and an additional £5,500 for Chairmanship of the Audit or Remuneration Committees.

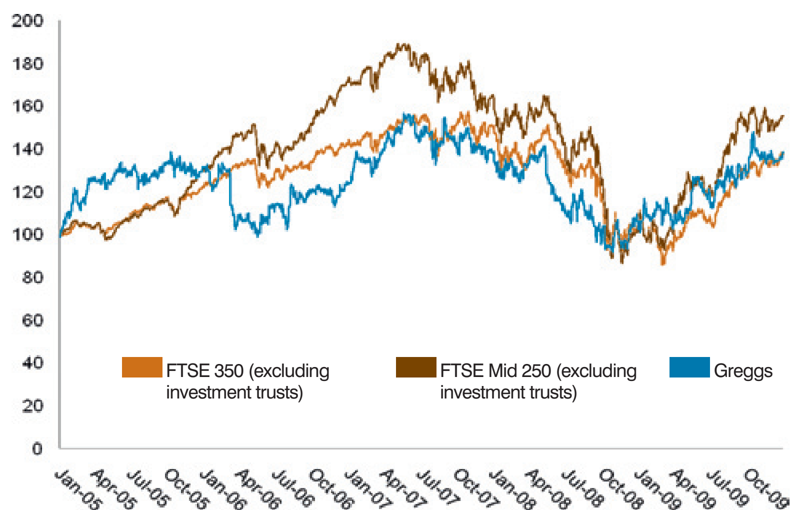
The non–executive directors do not have service contracts with the Company. However, each of them does have a letter of appointment. These are dated 25 February 2002 for Derek Netherton, 1 December 2003 for Bob Bennett, 1 March 2005 for Julie Baddeley, 21 February 2008 for Roger Whiteside and 31 March 2009 for Iain Ferguson respectively. The terms of appointment of each non–executive director require that they seek re–election on a regular basis in accordance with the articles of association of the Company (see above). The fees payable to the non–executive directors cover all normal duties. In exceptional circumstances, where significant additional time commitment is required, the Board (or a duly authorised committee) may award additional fees. No right of compensation exists where the office is terminated, for whatever reason.

Directors' Remuneration Report

(continued)

Performance graph

The graph shows a comparison of the total shareholder return for the Company's shares for each of the last five financial years against the total shareholder return for the companies comprised in the FTSE Mid 250 Index (excluding Investment Trusts) and the FTSE 350 (excluding Investment Trusts). These indices were chosen for this comparison because they include companies of broadly similar size to the Company.



Audited information

This information relates to both the Parent Company and the Group.

Directors' emoluments and compensation

The following tables set out details of the emoluments and compensation received or receivable by each director (excluding pension contributions details of which are set out below).

	Salary/fees set for 2010 £	**Salary/fees paid in 2009 £**	**Estimated value of benefits 2009 £**	**Annual profit share 2009 £**	**Annual bonus 2009 £**	**Total 2009 £**
Executive						
Kennedy McMeikan	447,000	**438,000**	**24,353**	**4,022**	**114,238**	**580,613**
Richard Hutton	260,000	**242,000**	**20,500**	**10,192**	**40,628**	**313,320**
Raymond Reynolds	232,000	**227,000**	**12,617**	**9,560**	**36,521**	**285,698**
Chairman						
Derek Netherton	120,750	**115,000**	**–**	**–**	**–**	**115,000**
Non–executive						
Bob Bennett	42,500	**40,000**	**–**	**–**	**–**	**40,000**
Julie Baddeley	42,500	**40,000**	**–**	**–**	**–**	**40,000**
Roger Whiteside	37,000	**35,500**	**–**	**–**	**–**	**35,500**
Iain Ferguson (from 13 May 2009)	37,000	**26,625**	**–**			**26,625**
Mike Darrington (resigned 13 May 2009)	–	**14,204**	**–**	**–**	**–**	**14,204**
Total	1,218,750	**1,178,329**	**57,470**	**23,774**	**191,387**	**1,450,960**

	Salary/fees paid in 2008	Estimated value of benefits 2008	Annual profit share 2008	Annual bonus 2008	Total 2008
	£	£	£	£	£
Executive					
Mike Darrington (until 31 July 2008)	285,833	25,626	8,424	14,204	334,087
Ken McMeikan (appointed 1 June 2008)	247,917	13,409	1,144	17,450	279,920
Richard Hutton	235,000	19,595	11,633	2,350	268,578
Raymond Reynolds	220,000	11,370	10,890	1,944	244,204
Chairman					
Derek Netherton	115,000	–	–	–	115,000
Non–executive					
Stephen Curran (resigned 13 May 2008)	13,798	–	–	–	13,798
Bob Bennett	40,000	–	–	–	40,000
Julie Baddeley	40,000	–	–	–	40,000
Ian Gibson (resigned 29 February 2008)	5,917	–	–	–	5,917
Roger Whiteside (appointed 17 March 2008)	28,127	–	–	–	28,127
Mike Darrington (from 1 August 2008)	14,792	–	–	–	14,792
Total	1,246,384	70,000	32,091	35,948	1,384,423

Share options

The following table sets out details of the executive and savings related share options (all of which were granted at a nominal cost to the executive director concerned) held by, or granted to, each director during the year:

	Number of options during the year											
	At 27 December 2008 Number*	Granted Number	Exercised Number	Lapsed Number	At 2 January 2010 Number	Exercise price £	Market price at date of exercise £	Gain on exercise £	Date of grant	Date from which exer-cisable	Expiry date	Scheme
Ken McMeikan	–	80,000	–	–	80,000	3.56	–	–	Apr 09	Aug 12	Apr 19	Executive
	–	276	–	–	276	3.54	–	–	Oct 09	Nov 12	Apr 13	SAYE
Richard Hutton	40,000	–	–	(13,250)	26,750	4.07	–	–	Aug 06	Aug 09	Aug 16	Executive
	–	80,000	–	–	80,000	3.56	–	–	Apr 09	Aug 12	Apr 19	Executive
	410	–	–	(410)	–	4.11	–	–	Sept 05	Nov 08	Apr 09	SAYE
	450	–	(450)	–	–	3.71	4.306	268.20	Sept 06	Nov 09	Apr 10	SAYE
	430	–	–	–	430	3.938	–	–	Apr 08	Jun 11	Dec 11	SAYE
	–	410	–	–	410	3.54	–	–	Oct 09	Nov 12	Apr 13	SAYE
Raymond Reynolds	1,700	–	(1,700)	–	–	2.6875	3.588	153.09	Mar 99	Mar 02	Mar 09	Executive
	40,000	–	–	(13,250)	26,750	4.07	–	–	Aug 06	Aug 09	Aug 16	Executive
	–	80,000	–	–	80,000	3.56	–	–	Apr 09	Aug 12	Apr 19	Executive
	410	–	–	(410)	–	4.11	–	–	Sept 05	Nov 08	Apr 09	SAYE
	450	–	(450)	–	–	3.71	4.345	285.75	Sept 06	Nov 09	Apr 10	SAYE
	430	–	–	–	430	3.938	–	–	Apr 08	Jun 11	Dec 11	SAYE
	–	410	–	–	410	3.54	–	–	Oct 09	Nov 12	Apr 13	SAYE

* All figures have been adjusted to reflect the 10 for 1 share split which took place during the year

The aggregate gains on exercise of share options were £707 (2008: £nil), including £nil (2008: £nil) in respect of the highest paid director.

The executive directors also have a potential beneficial interest in the Greggs Employee Benefit Trust.

On each of the grants awarded under the Senior Executive Share Option Schemes, the exercise of the options granted was made conditional upon the growth in the Company's basic earnings per share over a three year period.

- For options granted in 1999, earnings per share growth must be greater than 2% per annum above growth in the Retail Prices index.
- On the grant awarded in August 2006 the exercise of the options granted was made conditional upon the average annual growth in the Company's basic earnings per share over the three years from grant being greater than the average annual growth in the Retail Price Index over the three years. If earnings per share growth exceeds RPI growth by 3% then half of the options will be exercisable, if earnings per share growth exceeds RPI growth by 5% then all of the options will be exercisable and if earnings per share growth exceeds RPI growth by between 3% and 5% the number of options exercisable is pro–rated on a straight line basis.
- On the grant awarded in April 2009 the exercise of the options granted was made conditional upon the average annual growth in the Company's basic earnings per share over the three years from grant being greater than the average annual growth in the Retail Price Index over the three years. If earnings per share growth exceeds RPI growth by 3% then half of the options will be exercisable, if earnings per share growth exceeds RPI growth by 7% then all of the options will be exercisable and if earnings per share growth exceeds RPI growth by between 3% and 7% the number of options exercisable is pro–rated on a straight line basis.

Options granted under the all employee SAYE scheme are not subject to performance conditions.

The following table sets out details of the Long–Term Incentive Plan share options (all of which were granted at nil cost to the executive director concerned and subject to the performance conditions referred to on page 81) held by, or granted to, each director during the year:

	Date of grant	Options held under the plan at 27 December 2008	Options granted during 2009	Options exercised during 2009	Options lapsed during 2009	Options held under the plan at 2 January 2010	Market price of each share at date of grant £	Date from which exercisable	Expiry date
Richard Hutton	Mar 07	8,120	–	–	–	8,120	4.746	Mar 10	Mar 17
	Mar 08	28,460	–	–	–	28,460	4.475	Mar 11	Mar 18
Raymond Reynolds	Mar 07	6,100	–	–	–	6,100	4.746	Mar 10	Mar 17
	Mar 08	25,100	–	–	–	25,100	4.475	Mar 11	Mar 18
				–	–				
Kennedy McMeikan	Aug 08	180,210	–	–	–	180,210	3.762	Aug 11	Aug 18

No non–executive director has any options to acquire shares in the Company.

The mid–market price of ordinary shares in the Company as at 2 January 2010 was £4.35. The highest and lowest mid–market prices of ordinary shares during the financial year were £3.32 and £4.65 respectively.

Pensions

Until the scheme was closed to further accrual from 1 April 2008 Richard Hutton and Raymond Reynolds earned pension benefits under the Greggs 1978 Retirement and Death Benefit Scheme, the Company's defined benefit scheme. This scheme, which required a contribution of 6.6% of pensionable salaries from members, provided for up to two–thirds of final pensionable salary, dependent on length of pensionable service. From 1st April 2008 all executive directors received contributions into the Company's money purchase defined contributions pension schemes. No pension benefits were earned or accrued in respect of any non–executive director except Mike Darrington who accrued benefits up to 29 February 2008 whilst still an executive director.

Defined benefit scheme

The following table sets out the change in each director's accrued pension in the Company's defined benefit scheme during the year and his accrued benefits in the scheme at the year end:

Executive Director	Date of birth	Date service commenced	Accrued annual pension entitlement at age 65 as at 2 January 2010 £	Accrued annual pension entitlement at age 65 as at 27 December 2008 £	Increase in accrued pension entitlement for the year £	Increase in accrued pension entitlement for the year net of inflation of 0.0% £	Transfer value of increase in accrued pension entitlement for the year £
Richard Hutton	3/6/68	1/1/98	18,522	18,522	–	–	–
Raymond Reynolds	4/11/59	1/12/86	69,535	69,535	–	–	–

Note 1: The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, but excluding any statutory increases which would be due after the year end.

Note 2: The inflation rate of 0.0% shown in the table above is that published by the Secretary of State for Social Security in accordance with Schedule 3 of the Pensions Schemes Act 1993.

	Cash equivalent transfer value as at 27 December 2008	**Cash equivalent transfer value as at 2 January 2010**	**Increase in the cash equivalent transfer value since 27 December 2008**
	£	**£**	**£**
Executive Director			
Richard Hutton	**160,867**	**172,649**	**–**
Raymond Reynolds	**845,329**	**872,910**	**–**

Note: cash equivalent transfer values have been calculated in accordance with Actuaries Guidance Note GN11 and the increase is stated net of contributions made by the director. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme.

Money purchase schemes

The Company has paid the contributions set out below to the Greggs Senior Executive Pension Scheme for the benefit of executive directors during this financial year.

	Contribution in respect of 2009	Contribution in respect of 2008
	£	£
Executive Director		
Kennedy McMeikan	**65,700**	37,188
Richard Hutton	**31,460**	27,309
Raymond Reynolds	**29,699**	24,199

Approval by Shareholders

At the Annual General Meeting of the Company to be held on 12 May 2010, a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the Board on 18 March 2010.

Signed on behalf of the Board

Julie Baddeley
Director
Chair of Remuneration Committee
18 March 2010

Financial Calendar

Announcement of results and dividends

Half year	Early August
Full year	Early March

Dividends

Interim	Mid October
Final	Late May

Annual report posted to shareholders	Early April
Annual General Meeting	12 May 2010

10 Year History

	2000	2001	2002	2003	2004 (as restated)*	2005	2006 †	2007 ~	2008 §	2009
Turnover (£'000)	339,008	377,556	422,600	456,978	504,186	533,435	550,849	586,303	628,198	658,186
Earnings before interest and tax (£'000)	26,044	31,597	35,334	39,167	45,763	47,143	38,747	49,909	48,613	48,433
Profit on ordinary activities before taxation (£'000)	26,356	32,742	36,666	40,472	47,751	50,159	40,239	51,143	49,470	48,779
Shareholders' funds (£'000)	88,169	103,554	119,965	134,150	157,156	181,475	144,891	145,594	147,947	164,237
Earnings per share (pence) ˆ	16.2	19.0	20.9	23.1	27.1	28.2	24.1	34.3	33.6	34.1
Dividend per share (pence) ˆ	5.5	6.5	7.3	8.0	9.6	10.6	11.6	14.0	14.9	16.6
Capital expenditure (£'000)	21,397	27,385	42,143	32,361	25,090	41,687	30,023	42,343	40,758	30,296
Net book value of fixed assets (£'000)	113,285	124,123	148,184	160,704	163,110	180,826	184,325	196,783	210,455	211,155
Number of shops in operation at year end	1,105	1,144	1,202	1,231	1,263	1,319	1,336	1,368	1,409	1,419

* restated for the transition to IFRSs † includes £3.5m Bakers Oven Restructuring costs ~ includes one–off property gains of £2.2m § includes £4.3m exceptional credit ˆ All years prior to 2009 adjusted to take account of the ten for one share split which took place during 2009.

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