food for thought

annual report and accounts 2001

GREGGS plc

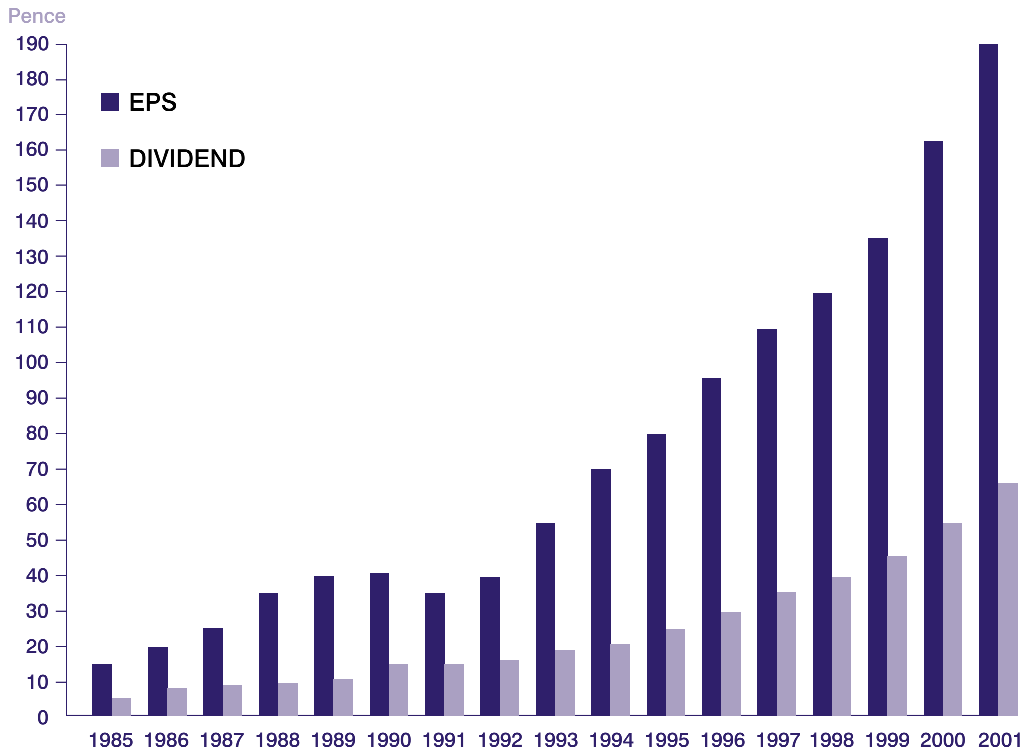
COVER STORY: The Greggs Breakfast Club aims to get children off to a better start by providing them with free breakfasts, for which we provide all the food. Clubs currently operate in over 20 primary schools in the North and Midlands, and we hope to start 30 more this year. This is just one example of Greggs' long-standing commitment to putting something back into the communities where we operate.

OUR BUSINESS Greggs plc is the UK's leading retailer specialising in sandwiches, savouries and other bakery-related products, with a particular focus on takeaway food and catering. We continue to show significant growth and now have over 1,100 retail outlets, trading under the Greggs and Bakers Oven brands.

OUR VISION We intend to be Europe's finest bakery-related retailer, achieving our ambitious growth targets by attaining world-class standards in everything we do. Our purpose is the growth and development of a thriving business for the benefit and enjoyment of employees, customers and shareholders alike. We aim to achieve a turnover of £1billion by 2010.

OUR VALUES Greggs is a customer-focused business, seeking to provide excellent products and services that deliver enjoyment and value for money. We are committed to people development, within a considerate culture that combines autonomy and accountability, and maintains a strong focus on profitability. In all our activities, we aim to achieve excellence through continuous improvement.

financial review



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FINANCIAL CALENDAR

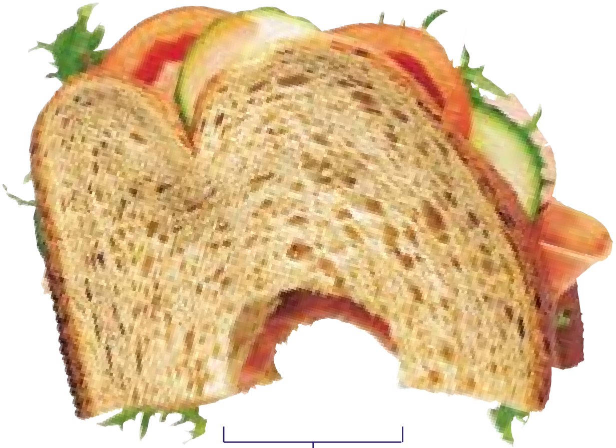
Announcement of results and dividends	
Half year	Early August
Full year	Early March
Dividends	
Interim	Mid October
Final	Late May
Annual report to shareholders	Early April
Annual General Meeting	10 May 2002

*As restated following adoption of FRS 19.

FINANCIAL HIGHLIGHTS

	2001	2000*
	£'m	£'m
Turnover	**377.6**	339.0
Pre-tax profits	**32.7**	26.4
Post-tax profits	**22.8**	19.4
Shareholders' funds	**103.6**	88.2
Capital expenditure	**27.4**	21.4
	Pence	Pence
Earnings per share	**190.2**	162.3
Dividend per ordinary share	**65.0**	55.0

IAN GREGG: Chairman This has been another year of excellent progress for Greggs. We have achieved our tenth consecutive year of profit and earnings growth, with pre-tax profits rising by 24.2 per cent, following a 22.5 per cent increase in 2000. This has been based on our well-established strategy of investing to develop our products, shops, brands and people, so as to maximise the opportunities created by the strong growth of the takeaway food market.



In 2001 Greggs sold 74 million sandwiches and filled rolls - quite a bite out of this fast-growing market

CHAIRMAN'S STATEMENT This has been another year of excellent progress for Greggs. We have achieved our tenth consecutive year of profit and earnings growth, with pre-tax profits rising by 24.2 per cent, following a 22.5 per cent increase in 2000. This has been based on our well-established strategy of investing to develop our products, shops, brands and people, so as to maximise the opportunities created by the strong growth of the takeaway food market.

RESULTS Sales for the year grew by 11.4 per cent to £377.6 million, including our best ever like-for-like sales increase of 8.4 per cent. Consumers responded favourably to the roll-out of our new format shops and the continuous improvement of our product range. We also benefited from strong underlying demand for takeaway food, aided by favourable weather throughout the year and high levels of customer traffic on the high street.

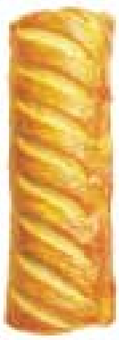
Operating profit increased by 21.3 per cent to £31.6 million. After interest receivable of £1.1 million (2000: £0.3 million) reflecting our increasing net cash balances, pre-tax profit grew by 24.2 per cent to £32.7 million. Earnings per share grew by 17.2 per cent to 190.2 pence, compared with a prior year base of 162.3 pence which has been restated following our early adoption of the FRS19 accounting standard in respect of deferred tax.

DIVIDEND The Board recommends a final dividend of 44.0 pence per share (2000: 39.0 pence), an increase of 12.8 per cent. The interim dividend, paid in October 2001, was increased by 31.3 per cent to 21.0 pence, partly to improve the balance between the interim and final payments, so that the total dividend for the year will be 65.0 pence (2000: 55.0 pence), an increase of 18.2 per cent. This is in line with our long-established progressive dividend policy, which seeks to provide shareholders with increases in their income broadly in line with the underlying growth of earnings per share over the medium term.

Subject to the approval of the Annual General Meeting, the final dividend will be paid on 24 May 2002 to shareholders on the register at 19 April 2002.

BUSINESS HIGHLIGHTS Core volumes advanced strongly throughout the year. The Greggs brand continued to perform exceptionally well, with our newer divisions in the south of England again making very pleasing progress. The Managing Director comments on trading and business development in more detail in his report on pages 6 to 11.

We will continue the progressive roll-out of the new Greggs shop format, and intend to achieve a further increase in the pace of shop opening, with a net addition of around 50 units planned in the UK. We also expect to open a pilot shop in mainland Europe. We are well positioned in a growing market place and despite continuing cost pressures I expect the group to achieve satisfactory progress in the current year.



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million sausage rolls

Our quest to create the ultimate sausage roll has resulted in strong and continuous growth

THE BOARD I announced last year that I intended to retire, and that we had begun work to identify a suitable successor. We have been fortunate to secure the services of Derek Netherton, who has had a distinguished career in investment banking and is a non-executive director of a number of listed companies including Next and Hiscox. He joined the Board as a non-executive director and Chairman Designate on 1 March 2002, and I intend to work with him closely to ensure a smooth hand-over of my responsibilities, prior to my planned retirement in about 12 months' time.

STAFF The continued strong growth of the business has been made possible only by the commitment of our staff to meeting our customers' expectations. Once again I would like to record the thanks of the Board for their hard work in delivering the products and service on which our reputation depends.

PROSPECTS We will continue the progressive roll-out of the new Greggs shop format, and intend to achieve a further increase in the pace of shop opening, with a net addition of around 50 units planned in the UK. We also expect to open a pilot shop in mainland Europe. Due to our success in strongly growing volumes in recent years, we need to increase the pace in expansion of our manufacturing capacity in order to be able to meet the demands of future growth. Total capital expenditure is expected to be a record £38 million, with much of this investment designed to deliver its full benefits in the longer term.

We have achieved further strong sales progress since the start of the new year, with like for like sales in the first nine weeks up by 9.7 per cent. Results to date are in line with our budgets, and ahead of the comparable period last year. We are well positioned in a growing market place and despite continuing cost pressures, notably on flour and insurance, I expect the group to achieve satisfactory progress in the current year.

Ian Gregg,

Chairman

8th March 2002

MIKE DARRINGTON: Managing Director Growing sales and profits are the result of our drive towards even better products and ever-higher standards across the group, aided by past investment in facilities such as our group technical centre. We remain committed to this successful strategy and are providing additional resources to raise standards even further and so drive continued growth for the benefit of employees and shareholders alike.

15,64 

employees

Greggs plc is committed to building a culture in which our people can be both happy and successful

MANAGING DIRECTOR'S REPORT Growing sales and profits are the result of our drive towards even better products and ever-higher standards across the group, aided by past investment in facilities such as our group technical centre. We remain committed to this successful strategy and are providing additional resources to raise standards even further and so drive continued growth for the benefit of employees and shareholders alike.

STRATEGIC DEVELOPMENT Our successful development has been based on our strategic focus on continuous improvement in five key areas: products, service, retail environment, brands and people.

Product and service excellence. The introduction of new and improved products has made a major contribution to our strong volume growth. This continuing process has been greatly assisted by the research, development and testing facilities provided at our group technical centre in Balliol Park, Newcastle upon Tyne, which opened in April 2000. The work undertaken here is also helping us to extend best practice, including the harmonisation of key products across our regional divisions, and to ensure the highest standards of food safety throughout the group.

Customer recognition of the high quality and consistency of our savouries has again helped to drive sales in this product category, underlining the benefits of our investment in the group's central savouries unit, also at Balliol Park. During the year we undertook further capital expenditure on equipment, effectively doubling the capacity of the unit, to keep pace with rapidly increasing demand.

Retail environment. The new Greggs format has been extended to 168 locations through new store openings and the progressive refurbishment of existing shops as part our normal refit cycle. Consumers have responded well to the new design, which stands out on the high street, enhances the display and accessibility of our key takeaway food ranges, and optimises the speed of service. The roll-out of the Greggs touch-screen electronic point of sale system has also continued, providing us with even better management information on both sales trends and profitability.

Since the catering market has been considerably less buoyant than the takeaway sector on which Greggs focuses, the emphasis in Bakers Oven has been on improving the performance of its existing portfolio of seated catering outlets, rather than on further expansion of the format.

Our focus has always been on achieving long-term growth by making our business progressively better. This will remain so as we continue to develop returns from our investment in even more enjoyable products, more attractive shops and better service, and increasingly concentrate our resources behind the harmonisation and promotion of strong national brands.

We deliver fast, efficient and friendly service to satisfy the needs of 236 million customers every year.

Brand awareness. During 2002 we will convert our 50 Birketts shops in Cumbria, Lancashire and southern Scotland to the Greggs fascia, completing the process of nationwide brand harmonisation which began with the successful conversion of our Midlands and Yorkshire divisions in 1999. We believe that significant long term benefits will accrue as we progressively simplify the business, ensure more nationally consistent products, harmonise advertising and point of sale material, and concentrate on building consumer awareness of Greggs as the leading brand in bakery-related takeaway food across the UK. This will be complemented by Bakers Oven, positioned as a premium brand and distinguished from Greggs by the role in its concept of seated catering and instore baking. The baking of products instore enables us to extend our coverage to regions which could not be supported by deliveries of fresh products from central bakeries.

People. We have continued to benefit from progressive strengthening of our management team both in the centre and in each of our divisions, and by the increasing sophistication that this brings to our work in understanding consumers' changing needs and tastes, and ensuring that we respond to these effectively.

TRADING PERFORMANCE We made strong sales progress throughout the year, with the second half proving even stronger than the first. Like-for-like sales grew by 6.9 per cent in the first half (24 weeks) and by 9.6 per cent in the second half, giving us an 8.4 per cent uplift for the year as a whole. Within this, core volumes advanced by 4.3 per cent in the first half and 6.7 per cent in the second, making an annual increase of 5.7 per cent. Implied inflation of 2.7 per cent over the year remained primarily a function of product upgrades, though we also recovered some substantial increases in ingredient costs, most notably of flour in the second half.

Including the benefit of new selling space, total sales grew by 9.1 per cent in the first half and 13.1 per cent in the second, making 11.4 per cent for the year as a whole.

As the Chairman has noted, the weather was favourable for our business throughout the year, with relatively few instances of the extreme conditions that tend to deter daily purchasers of our products. Strong retail demand overall also ensured high levels of activity on the high streets where we operate, with a late surge of Christmas shoppers contributing to a stronger than expected performance in the final weeks of the year.

Underlying these external factors is the steadily increasing strength of our brands and proposition as we have continued to improve our products, shops and service, reflected in growing consumer awareness of the quality and value that we offer. These are the key drivers of the sustained real sales growth we have achieved over the last nine years, with like-for-like sales increasing by 15.8 per cent over the last two years alone. This strong sales growth has enabled us to increase pre-tax profits by a very satisfactory 24.2 per cent to £32.7 million.

This has been achieved despite significant increases in our cost base as we have invested in people and facilities to enable us to drive the business even more strongly in the future.

Greggs. Like-for-like sales in the nine Greggs divisions, including Birketts, grew by 8.5 per cent in the first half and 11.3 per cent in the second, making a 10.1 per cent increase for the year. Within this, core volumes advanced by 6.3 per cent in the first half and 8.9 per cent in the second, to give an annual increase of 7.8 per cent.

All divisions made progress, with Greggs of Twickenham continuing to perform exceptionally well and Greggs of Enfield also making strong progress. During 2002 we plan to integrate these two businesses into a single South East division, which will enable us to develop our operations in southern England even more effectively in the future. The Midlands and Gosforth divisions again made pleasing progress, while our operations in the North West achieved a very good result after a somewhat disappointing year in 2000. Scotland remained our most profitable division. The performance of this business has been transformed over the last 20 years under the leadership of its Managing Director, Ken Middleton, who retired from this role at the end of 2001, and I would like to record our appreciation of his outstanding contribution to Greggs.

Bakers Oven. Like-for-like sales in the four Bakers Oven divisions grew by 2.6 per cent in the first half and 4.7 per cent in the second, making a 3.8 per cent increase over the year. Core volume performance improved in the latter part of the year but remained disappointing overall at –0.1 per cent, comprising a 1.1 per cent decline in the first half and a 0.6 per cent increase in the second half.

The weaker performance of Bakers Oven compared with Greggs can be partly explained by its exposure to the catering market and its correspondingly smaller involvement in the buoyant takeaway market. There remain significant regional variations in performance, however, with the Midlands division making solid progress and the South improving, while Scotland and the North have continued to underperform. We have made management changes designed to address these issues.

Overall profits showed a small improvement over the previous year despite the loss of Bakers Oven's largest and most profitable unit with the closure of the Millennium Dome.

PRODUCT PROFILE Continuing a long established pattern, the major takeaway food categories of sandwiches and savouries continued to show the strongest growth, along with associated product areas such as soft drinks. Cakes and confectionery products, many of which are purchased to complement a savoury takeaway snack, remained fairly stable as a proportion of our trade, while bread and rolls continued their long decline.

RETAIL PROFILE We opened 67 new shops during the year and closed 28, giving us a net increase of 39 to 1,144 outlets by 29 December 2001, slightly ahead of our target. There were 905 Greggs and 239 Bakers Oven shops at the year end, compared with 858 and 247 respectively twelve months earlier. We completed 64 comprehensive shop refurbishments and 31 minor refits during the year.

CAPITAL INVESTMENT Capital expenditure of £27.4 million was £6 million higher than in the previous year but below our original £30 million budget. The bulk of investment continued to be directed to the expansion and improvement of our retail estate, though we naturally require further investment in our production facilities to keep pace with the strength of volume growth. These will result in a further planned increase in capital expenditure to some £38 million in the current year, during which we intend to open some 50 new stores, net of closures.

CASH FLOW AND BALANCE SHEET The group remains strongly cash generative and we ended the year with a substantially increased net cash position of £30.0 million, compared with £18.9 million in 2000. This was despite a £1.5 million increase in dividend payments as well as higher capital expenditure. We remain strongly placed to fund all our future investment plans from our own resources.

EMPLOYEES One of the most striking characteristics of our staff is their unfailing cheerfulness – an attitude they have maintained despite the significant increases in sales per shop that we have achieved over the last few years. I am particularly grateful for their proven ability to deal with ever-increasing customer numbers without compromising our standards, whether in service across the counter or in food handling and preparation. We remain absolutely committed to promoting a caring and considerate culture in which people are treated properly, can enjoy their work, and are given the greatest possible opportunity to realise their potential through skills training and internal promotion.

GREGGS IN THE COMMUNITY The Greggs Breakfast Clubs which feature on the front cover of this report are a growing phenomenon, currently operating in over 20 selected primary schools in the North and Midlands. They are designed to get children off to a better start by providing them with free breakfasts for which we provide all the food, including fresh bread from our shops, together with the necessary equipment.

This initiative is just one example of our long-standing commitment to putting something back into the communities where we operate. The group is a member of the 'Per Cent' Club and made charitable donations of £327,000 this year, the bulk of which is directed through the Greggs Trust, dedicated to alleviating the effects of poverty and social deprivation within our trading areas. In addition to our central contributions, our divisions are active in support of good causes within their trading areas, such as the major annual fun run sponsored by Greggs of Gosforth in aid of children's cancer research which has raised well over £2 million since its inception in 1983.

OUTLOOK We are the largest specialist operator in the UK addressing the fast-growing market for bakery-related takeaway food. We have significant scope for further expansion within our home market, with a target of reaching over 1,700 units by the end of the present decade, and ultimate scope for at least 2,000 UK shops. In addition, we continue to research the potential for our brands within mainland Europe, and expect a pilot shop to be trading there later this year.

Our focus has always been on achieving long-term growth by making our business progressively better. This will remain so as we continue to develop returns from our investment in even more enjoyable products, more attractive shops and better service, and increasingly concentrate our resources behind the harmonisation and promotion of strong national brands.

Mike Darrington,

Managing Director

8th March 2002

directors' report

The directors have pleasure in presenting their annual report and the audited accounts for the 52 weeks ended 29 December 2001. The comparative period is the 52 weeks ended 30 December 2000.

PRINCIPAL ACTIVITIES

The principal activity of the group is the retailing of sandwiches, savouries and other bakery related products with a particular focus on takeaway food and catering. The majority of products sold are manufactured in house.

RESULTS AND DIVIDENDS

Sales for the financial year excluding VAT were £377,556,000, an increase of £38,548,000 or 11.4% over the previous financial year. Group profit before taxation amounted to £32,742,000, an increase of 24.2% over the previous financial year. An interim dividend of 21.0p per ordinary share was paid on 5 October 2001 and the directors propose a final dividend of 44.0p payable on 24 May 2002 leaving profit for the financial year to be retained of £15,146,000 (2000: £12,970,000 as restated).

BUSINESS REVIEW

A review of the business during the year and an outline of future developments are given in the Chairman's statement and Managing Director's report on pages 2 to 11.

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 (as defined in the Companies Act 1985) at 29 December 2001 and 30 December 2000 and details of directors' share options are set out in note 6 to the accounts. Trustee holdings of ordinary shares with no beneficial interest include 214,655 shares held by the Greggs Employee Benefit Trust to which certain directors are trustees. Mr. C.S. Gregg resigned from the Board on 9 May 2001. On 1 March 2002 Mr. D.N.D. Netherton was appointed a non-executive director. In accordance with the Company's Articles of Association, Mr. M.J. Darrington, Mr. S.W. Curran, Mrs. S. Johnson OBE and Mr. D.N.D. Netherton retire from the Board, and being eligible, offer themselves for re-election.

Mr. M.J. Darrington has a service agreement determinable by not less than two years' notice from the Company, or not less than six months' notice from Mr. M.J. Darrington. Mr. S.W. Curran, Mrs. S. Johnson OBE and Mr. D.N.D. Netherton do not have service agreements (in common with the other non-executive directors).

CORPORATE GOVERNANCE

A separate report on corporate governance is set out on pages 36 to 37.

SUBSTANTIAL SHAREHOLDINGS

At 8 March 2002 the only notified interests of substantial shareholdings in the issued share capital of the Company, other than directors referred to in note 6, were:

	Percentage of issued share capital, %
CGNU plc	8.90
A.J. Davison (as trustee of various settlements)	9.16
Prudential plc	4.81
J.A. Wardropper (as trustee of various settlements jointly with A.J. Davison)	5.44
Mrs G.V. Richardson and family	4.45
Standard Life	3.96

EMPLOYMENT POLICIES

We are committed to promoting policies which ensure that employees and those who seek to work for us are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

It is our policy to give full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

The number and dispersion of the Group's operating locations make it difficult, but essential, to communicate effectively with employees. Communication with our shop staff is principally through the operational structure of shop area and divisional management. We communicate with our bakery staff by regular briefings and letters to employees.

All staff receive a copy of divisional and Group gazettes. The Group operates Profit Sharing and Savings Related Share Option Schemes to encourage its employees to identify with its corporate objectives.

PAYMENTS TO SUPPLIERS

Supplier credit is an extremely important factor in the success of the Group. Whilst the Group does not follow any code or standard on payment practice, 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 29 December 2001 was 51 days (2000: 47 days).

CHARITABLE CONTRIBUTIONS

The Group is a member of the 'Per Cent' Club. Charitable donations of £327,000 were made by the Group during the year including £218,000 to Greggs Trust . The Trust also received donations from employees under Give As You Earn of £45,000, from major shareholders of £129,000 and income from investments of £163,000. These funds were used by the Trust in pursuance of its main objective to alleviate the effects of poverty and social deprivation in the areas where the Company trades.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, 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

8 March 2002

statement of directors' responsibilities

in respect of the preparation of accounts

The directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the results for that period.

The directors consider that in preparing the accounts on pages 16 to 35, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The accounts have been prepared on a going concern basis on the presumption that the Group will continue in business.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors 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.

report of the independent auditors to the members of Greggs plc

We have audited the accounts on pages 16 to 35.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report. As described on page 14 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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

We review whether the statement on page 36 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 29 December 2001 and of the profit of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Newcastle upon Tyne

8 March 2002

group profit and loss account

for the 52 weeks ended 29 December 2001

	Note	2001 £'000	2000 £'000 As restated*
Turnover	1	**377,556**	339,008
Cost of Sales	2	**(147,468)**	(131,197)
Gross profit		**230,088**	207,811
Distribution and selling costs	2	**(172,711)**	(158,327)
Administrative expenses	2	**(25,780)**	(23,440)
Operating profit		**31,597**	26,044
Net interest receivable and other income	3	**1,145**	312
Profit on ordinary activities before taxation	4	**32,742**	26,356
Taxation on profit on ordinary activities	10	**(9,933)**	(6,964)
Profit on ordinary activities after taxation	11	**22,809**	19,392
Dividends paid and proposed	12	**(7,663)**	(6,422)
Retained profit for the financial year	25	**15,146**	12,970
Basic earnings per share	13	**190.2p**	162.3p
Diluted earnings per share	13	**187.7p**	161.0p

* FRS 19 'Deferred tax' has been adopted for the first time resulting in a restatement of the 2000 accounts. This is discussed in further detail in the accounting policies section on page 20.

The Group's operating profit for both the current and preceding financial period derives from continuing operations. There are no recognised gains or losses during the current and previous period other than the profit for the period.

RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

	2001 £'000	2000 £'000 As restated	2000 £'000 As restated
Profit for the financial year			
- as previously stated	**22,809**	22,131	
- prior year adjustment (see accounting policies)	**-**	(2,739)	
	22,809		19,392
Dividends	**(7,663)**		(6,422)
Retained profit for the financial year	**15,146**		12,970
New share capital			
- nominal value	**3**		9
- share premium	**236**		407
Net addition to shareholders' funds	**15,385**		13,386
Opening shareholders' funds			
- as previously stated		80,896	
- prior year adjustment (see accounting policies)		(6,113)	
	88,169		74,783
Closing shareholders' funds	**103,554**		88,169

group balance sheet

at 29 December 2001

	Note	£'000	29 December 2001 £'000	£'000	30 December 2000 As restated £'000
Fixed assets					
Tangible assets	14		**124,123**		113,285
Investments	16		**3,563**		3,563
			127,686		116,848
Current assets					
Stocks	17	**6,275**		5,636	
Debtors	18	**12,406**		11,893	
Cash at bank and in hand		**30,027**		20,015	
		48,708		37,544	
Creditors: amounts falling due within one year	19	**(60,762)**		(55,227)	
Net current liabilities			**(12,054)**		(17,683)
Total assets less current liabilities			**115,632**		99,165
Creditors: amounts falling due after more than one year	20		**(109)**		(133)
Provisions for liabilities and charges					
Deferred tax	22		**(11,969)**		(10,863)
			103,554		88,169
Capital and reserves					
Called up share capital	23		**2,400**		2,397
Share premium account	24		**9,794**		9,558
Profit and loss account	25		**91,360**		76,214
Equity shareholders' funds			**103,554**		88,169

The accounts on pages 16 to 35 were approved by the Board of directors on 8 March 2002 and were signed on its behalf by

M.J. Darrington } Directors
M. Simpson

parent company balance sheet

at 29 December 2001

	Note	£'000	29 December 2001 £'000	£'000	30 December 2000 As restated £'000
Fixed assets					
Tangible assets	15		**102,739**		86,641
Investments	16		**8,753**		8,753
			111,492		95,394
Current assets					
Stocks	17	**6,275**		5,268	
Debtors	18	**30,737**		32,362	
Cash at bank and in hand		**29,872**		19,289	
		66,884		56,919	
Creditors: amounts falling due within one year	19	**(60,556)**		(51,557)	
Net current assets			**6,328**		5,362
Total assets less current liabilities			**117,820**		100,756
Creditors: amounts falling due after more than one year	20		**(109)**		(133)
Provisions for liabilities and charges					
Deferred tax	22		**(9,250)**		(7,272)
			108,461		93,351
Capital and reserves					
Called up share capital	23		**2,400**		2,397
Share premium account	24		**9,794**		9,558
Profit and loss account	25		**96,267**		81,396
Equity shareholders' funds			**108,461**		93,351

The accounts on pages 16 to 35 were approved by the Board of directors on 8 March 2002 and were signed on its behalf by

M.J. Darrington
M. Simpson
} Directors

group cash flow statement

for the 52 weeks ended 29 December 2001

		2001		2000
	£'000	£'000	£'000	£'000
Reconciliation of operating profit to net cash inflow from operating activities				
Operating profit		**31,597**		26,044
Depreciation charges		**14,907**		14,162
(Profit) / loss on disposal of fixed assets		**(248)**		222
Release of government grants		**(24)**		(46)
(Increase) / decrease in stocks	**(639)**		347	
Increase in debtors	**(513)**		(2,142)	
Increase in creditors	**5,338**		4,844	
Net increase in working capital		**4,186**		3,049
Net cash inflow from continuing operating activities		**50,418**		43,431
CASH FLOW STATEMENT				
Net cash inflow from continuing operating activities		**50,418**		43,431
Returns on investments and servicing of finance				
Interest received	**1,354**		622	
Interest paid	**(209)**		(301)	
Interest element of finance lease payments	**-**		(9)	
Net cash inflow from returns on investments and servicing of finance		**1,145**		312
Taxation paid		**(6,005)**		(5,604)
Capital expenditure and financial investments				
Purchase of tangible fixed assets	**(27,385)**		(21,397)	
Disposal of tangible fixed assets	**1,888**		2,514	
Purchase of investments	**-**		(2,133)	
Net cash outflow for capital expenditure and financial investments		**(25,497)**		(21,016)
Equity dividends paid		**(7,067)**		(5,593)
Financing				
Issue of ordinary share capital	**239**		416	
Redemption of loan notes	**(42)**		(32)	
Capital element of finance lease payments	**-**		(40)	
Loan repayments	**(2,039)**		(1,913)	
Government grants received	**-**		22	
Net cash outflow from financing		**(1,842)**		(1,547)
Net increase in cash in the period		**11,152**		9,983

Further details regarding cash flows are given in note 27 to the accounts

accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's accounts.

(a) Basis of accounting

The accounts are prepared under the historical cost accounting rules and in accordance with applicable accounting standards. The requirements of all new accounting standards and pronouncements adopted during the past year have been implemented where relevant, in particular FRS 19 'Deferred tax'.

(b) Consolidation

The consolidated accounts include the results of Greggs plc and its subsidiary undertakings for the period of 52 weeks ended 29 December 2001. The comparative period is the 52 weeks ended 30 December 2000.

(c) Depreciation

Depreciation is provided on the cost of tangible fixed assets before deducting government capital grants and after taking the estimated residual value into consideration. Freehold and long leasehold properties are depreciated by equal instalments over a period of 40 years. No depreciation is provided on freehold land. Depreciation of other tangible fixed assets is provided on a straight line basis as follows:

Short leasehold properties	10%
Plant:	
General	10%
Computers	20% - 33¹/₃%
Motor vehicles	20% - 25%
Delivery trays	33¹/₃%
Shop fixtures and fittings:	
General	10%
Electronic equipment	20%

(d) Government grants

Grants received in respect of specific capital items are credited to deferred income and transferred to the profit and loss account in equal instalments over the estimated average life of the relevant fixed assets. Grants which are related to the fulfilment of certain conditions or to the expiry of a period of time are also credited to deferred income and are transferred to the profit and loss account in equal instalments over a period from the commencement of the project until these conditions are met.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value.

(f) Taxation and prior year adjustment

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation purposes and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Financial Reporting Standard 19 has been adopted for the first time and accordingly a further £8,852,000 has been included as a provision at 30 December 2000 and a charge of £2,739,000 has been included within the tax charge for that year. The movement in the current year of £1,106,000 has been charged to results for the year and included within the current tax charge.

(g) Goodwill

Purchased goodwill arising in respect of acquisitions before 1 January 1998, when FRS 10: "Goodwill and Intangible Assets" was adopted was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered whether through depreciation or sale.

(h) Leased assets

Assets acquired under finance leases are capitalised and depreciated over their estimated useful lives in accordance with Group policy for owned assets. The obligation to repay the capital element of the lease is included in creditors. Finance interest is charged to the profit and loss account over the period of the lease to reflect the outstanding capital commitment.

The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

(i) Pension costs

The Group operates defined benefit and defined contribution schemes for its employees. The assets of these funds are held by the Trustees of the schemes and are entirely separate from those of the Group.

The amount charged to the profit and loss account is based on actuarial estimates and is calculated to spread the cost of pensions over employees' working lives with the Group.

(j) Financial assets and liabilities

Changes in the value of financial instruments are disclosed in the notes to the accounts but are not reflected in the profit and loss account or the balance sheet.

(k) Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

notes to the accounts

1. Turnover

Turnover represents sales to customers less value added tax. The turnover arises from the Group's principal activity and relates wholly to sales within the United Kingdom.

2. Employee profit sharing scheme

The total amount paid out under the Group's employee profit sharing scheme is contained within the main cost categories as follows:

	2001 £'000	2000 £'000
Cost of sales	1,212	922
Distribution and selling costs	2,362	1,942
Administrative expenses	504	374
	4,078	3,238

3. Net interest receivable /(payable) and other income / (similar charges)	2001 £'000	2000 £'000
Interest receivable	1,354	622
Interest payable on bank loans	(209)	(301)
Interest payable on finance leases	-	(9)
	1,145	312

4. Profit on ordinary activities before taxation

This is stated after charging / (crediting):	2001 £'000	2000 £'000
Depreciation on tangible fixed assets:		
owned	14,907	14,111
held under finance leases	-	51
(Profit) / loss on disposal of fixed assets	(248)	222
Release of government grants	(24)	(46)
Auditors' remuneration:		
audit services	84	81
non-audit fees paid to the auditor and its associates:		
- corporation tax compliance (2001: including £42,000 in respect of dealing with earlier years' computations)	67	20
- other taxation services	26	10
- pension schemes audit	10	8
- IT consultancy	25	10
Payments under operating leases – property rents	25,226	23,780

5. Directors' emoluments

(a) Directors' remuneration excluding pensions

	Salary and fees £	Benefits £	Annual bonus and profit share £	**Total 2001** £	Total 2000 £
Executives					
M J Darrington	267,000	10,798	82,049	**359,847**	340,315
M Simpson	178,000	11,503	54,699	**244,202**	231,451
Non-executives					
I D Gregg OBE	71,500	-	-	**71,500**	68,000
S W Curran	20,250	-	-	**20,250**	19,250
S I L Elkin OBE	21,250	-	-	**21,250**	20,250
C S Gregg	7,180	-	-	**7,180**	19,250
S Johnson OBE	20,250	-	-	**20,250**	16,042
	585,430	22,301	136,748	**744,479**	714,558

Further details of directors' remuneration are shown on page 39.

Details of directors' share options are shown in note 6.

(b) Directors' pension information

(i) Defined benefit scheme

Executive	Date of birth	Date service commenced	Accrued annual pension entitlement at age 65 as at 29 December 2001 £	Accrued annual pension entitlement at age 65 as at 30 December 2000 £	Increase in accrued pension entitlement for the year £	Transfer values of increase in entitlement for the year £
M J Darrington	8/3/42	15/8/83	82,379	72,763	7,215	84,151
M Simpson	15/10/41	24/4/73	82,766	74,412	5,898	68,529

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 increase in accrued pension during the year excludes any increases for inflation. The inflation rate used is that published by the Secretary of State for Social Security in accordance with Schedule 3 of the Pension Schemes Act 1993. The inflation rate for the year to 29 December 2001 was 3.3%.

(ii) Defined contribution schemes
During the year contributions were made to defined contribution schemes in respect of M.J. Darrington of £67,800 (2000: £66,390) and M. Simpson of £8,900 (2000: £8,350).

notes to the accounts

(continued)

6. Directors' share interests

The directors who served during the year and who were still in office at the end of the year and their interests in the share capital of the company are as follows:

	Ordinary shares of 20p (Beneficial interest)		Ordinary shares of 20p (Trustee holding with no beneficial interest)	
	2001	2000	**2001**	2000
I D Gregg OBE (non-executive)	**240,500**	257,500	**214,655**	429,655
M J Darrington	**70,640**	70,397	**214,655**	214,655
M Simpson	**80,723**	77,309	**243,256**	243,256
S W Curran (non-executive)	**3,700**	3,700	**-**	-
S I L Elkin OBE (non-executive)	**900**	900	**-**	-
S Johnson OBE (non-executive)	**-**	-	**-**	-

C S Gregg resigned as a director on 9 May 2001.

D N D Netherton was appointed a non-executive director on 1 March 2002.

The executive directors have a potential beneficial interest in the Greggs Employee Benefit Trust (note 16).

The directors held options as follows:

	At 30/12/00	Number of options during year Granted	Exercised	At 29/12/01	Exercise price £	Market price at date of exercise £	Gain on exercise £	Date from which exercisable	Expiry date
M.J. Darrington	5,000	-	-	5,000	13.55	-	-	Sep-99	Aug-03
	18,000	-	-	18,000	26.875	-	-	Mar-02	Mar-06
	199	-	-	199	20.98	-	-	Jun-04	Dec-04
	27,900	-	-	27,900	17.015	-	-	Mar-03	Mar-07
M. Simpson	3,500	-	-	3,500	13.55	-	-	Sep-99	Aug-03
	12,000	-	-	12,000	26.875	-	-	Mar-02	Mar-06
	199	-	-	199	20.98	-	-	Jun-04	Dec-04
	18,600	-	-	18,600	17.015	-	-	Mar-03	Mar-07

In 2000 the aggregate gains on exercise of share options were £141,737, including £83,375 in respect of the highest paid director.

As at 8 March 2002 there had been no changes since 29 December 2001 in the directors' interests noted above.

The mid-market price of a Greggs plc ordinary share on 29 December 2001 was £30.625. The mid-market high and low price during the year was £34.85 and £24.00 respectively.

7. Share options

Contingent rights to the allotment of Ordinary Shares in the Company at future dates exist under the terms of the Company's Savings Related Share Option Scheme and its Executive Share Option Schemes.

Details of these options at 29 December 2001 are as follows:

	Date of grant	Price	Options outstanding at the end of the year 2001	2000	Dates exercisable
Executive Share Option Scheme 4	September 1993	700p	11,900	17,600	Three to ten years after September 1993
Executive Share Option Scheme 5	September 1996	1355p	36,812	52,500	Three to ten years after September 1996
Executive Share Option Scheme 6	March 1999	2687½p	93,350	100,250	Three to seven years after March 1999
Savings Related Share Option Scheme 4	April 1999	2098p	185,128	229,153	June 2004 to December 2004
Executive Share Option Scheme 7	March 2000	1701½p	144,400	150,200	Three to seven years after March 2000

8. Employees

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

	2001 No's	2000 No's
Management	**585**	576
Administration	**290**	259
Production	**2,529**	2,433
Shop	**12,237**	11,447
	15,641	14,715

The aggregate payroll costs of these persons were as follows:

	2001 £'000	2000 £'000
Wages and salaries	**142,530**	125,347
Social security costs	**9,135**	8,414
Other pension costs	**2,691**	1,785
	154,356	135,546

notes to the accounts

(continued)

9. Pensions

(a) Defined benefit scheme

The company operates a defined benefit pension scheme, the Greggs plc 1978 Retirement and Death Benefit Scheme. The scheme funds are administered by trustees and are independent of the company's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial advisor.

The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary using the attained age method. Actuarial valuations are carried out triennially and the latest actuarial assessment of this scheme was at 6 April 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would exceed salary increases by 2.0% per annum.

At the date of the latest actuarial valuation, the market value of the scheme's assets was £26,344,300. The actuarial value of the scheme's assets represented 109% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The total pension cost to the group of this scheme was £1,798,000 for the year (2000: £1,248,000).

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs', under FRS 17 'Retirement Benefits' the following transitional disclosures are required:

The actuarial valuation was updated to 29 December 2001, by an independent qualified actuary in accordance with the transitional arrangements of FRS 17. As required by FRS 17, the defined benefit liabilities have been measured using the projected unit method.

The major assumptions used in this valuation were:

Inflation	2.5% pa
Pension increases (LPI)	2.5% pa
Salary growth	4.0% pa
Discount rate	5.8% pa

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

Fair value of assets			£'000	£'000
Composed of :	Equities	8.0% pa	20,908	
	Bonds	4.8% pa	7,125	
	Other	5.3% pa	6,034	
				34,067
Present value of liabilities				(36,114)
Gross pension liability				(2,047)
Related deferred tax asset				614
Net pension liability				(1,433)

Over the year to 29 December 2001, contributions by the company of £1,852,000 were made to the scheme. It has been agreed with the trustees that employer's contributions for the period between 1 March 2000 and 28 February 2005 will be at the level of 7.6% of annual pensionable salary plus the cost of insuring death in service benefits and the cost of administration expenses. The scheme is now closed to new entrants and, under the method used to calculate pension costs in accordance with FRS 17, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

The Group's net assets, including the disclosed FRS 17 balance sheet item above, would be £102,121,000 at 29 December 2001.

(b) Defined contribution schemes

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 £893,000 in the year (2000: £537,000). There were no material amounts outstanding to the schemes at the year end.

10. Taxation on profit on ordinary activities

(a) Analysis of charge in period at 30% (2000: 30%)

		2001 £'000		2000 £'000 As restated
Current tax:				
Corporation tax at 30.0% (2000 30.0%)				
- current year	**8,827**		6,950	
- previous years	**-**		(2,725)	
Total current tax		**8,827**		4,225
Deferred tax				
Origination and reversal of timing differences				
- current year	**1,316**		1,007	
- previous years	**(210)**		1,732	
Total deferred tax		**1,106**		2,739
Tax on profit on ordinary activities		**9,933**		6,964

(b) Factors affecting current tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	**32,742**	26,356
Tax on profit on ordinary activities at UK standard rate of tax of 30% (2000:30%)	**9,823**	7,907
Effects of:		
Capital allowances for period in excess of depreciation	**(1,316)**	(1,258)
Expenses not deductible for tax purposes	**208**	92
Lease rentals	**(660)**	(572)
Chargeable gains rolled over	**(273)**	(125)
Non-qualifying depreciation	**789**	716
In respect of earlier years	**-**	(2,725)
Other	**256**	190
Current tax charge for period	**8,827**	4,225

notes to the accounts

(continued)

11. Profit attributable to Greggs plc

Of the profit attributable to shareholders, £22,534,000 (2000: £18,561,000 as restated) is dealt with in the accounts of the parent company. The company has taken advantage of the exemption permitted by section 230 of the Companies Act 1985 from presenting its own profit and loss account.

12. Dividends

	2001 £'000	2000 £'000
On ordinary shares of 20p		
Interim paid: 21.0p (2000:16.0p)	2,477	1,832
Final proposed: 44.0p (2000:39.0p)	5,186	4,590
Total dividends: 65.0p (2000: 55.0p)	7,663	6,422

13. Earnings per share

Basic earnings per share are calculated on earnings after taxation of £22,809,000 (2000: £19,392,000 as restated) divided by the weighted average number of shares in issue for which consideration is receivable during the year 11,993,371 (2000:11,956,166).

Diluted earnings per share are calculated using the same earnings as those used for basic earnings per share, and a weighted average number of shares 12,153,399 (2000: 12,044,814). This number includes 160,028 (2000: 88,648) shares being the dilutive effect of the share options in place at the year end.

14. Group statement of tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Shop fixtures and fittings £'000	Total £'000
Cost				
At 30 December 2000	50,372	51,746	73,474	175,592
Additions	2,364	8,987	16,034	27,385
Disposals	(666)	(2,403)	(7,458)	(10,527)
Reclassification	-	(451)	451	-
At 29 December 2001	**52,070**	**57,879**	**82,501**	**192,450**
Depreciation				
At 30 December 2000	9,511	27,232	25,564	62,307
Charged in year	1,291	5,982	7,634	14,907
Disposals	(128)	(2,183)	(6,576)	(8,887)
At 29 December 2001	**10,674**	**31,031**	**26,622**	**68,327**
Net book amount				
At 29 December 2001	**41,396**	**26,848**	**55,879**	**124,123**
At 30 December 2000	40,861	24,514	47,910	113,285

Included in land and buildings is an amount of £1,218,000 (2000: £1,218,000) in respect of freehold land which is not depreciated.

Included in plant and machinery is an amount of £nil (2000: £12,000) representing assets held under finance leases.

The net book amount of land and buildings comprises:

		2001 £'000	£'000	2000 £'000	£'000
Freehold property	Shops	**15,242**		13,773	
	Bakeries	**20,578**		21,231	
	Other	**4,965**		5,170	
			40,785		40,174
Long leasehold property	Bakeries		**149**		158
Short leasehold property	Shops		**462**		529
			41,396		40,861

notes to the accounts

(continued)

15. Parent company statement of tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Shop fixtures and fittings £'000	Total £'000
Cost				
At 30 December 2000	19,695	50,424	72,032	142,151
Additions	2,248	8,987	16,034	27,269
Intra group transfers	2,215	1,855	1,930	6,000
Disposals	(137)	(2,403)	(7,458)	(9,998)
Reclassification	-	(451)	451	-
At 29 December 2001	**24,021**	**58,412**	**82,989**	**165,422**
Depreciation				
At 30 December 2000	3,527	26,676	25,307	55,510
Charged in year	624	5,973	7,645	14,242
Intra group transfers	249	836	638	1,723
Disposals	(32)	(2,183)	(6,577)	(8,792)
At 29 December 2001	**4,368**	**31,302**	**27,013**	**62,683**
Net book amount				
At 29 December 2001	**19,653**	**27,110**	**55,976**	**102,739**
At 30 December 2000	16,168	23,748	46,725	86,641

Included in plant and machinery is an amount of £nil (2000: £12,000) representing assets held under finance leases.

The net book amount of land and buildings comprises:

		2001 **£'000**	**£'000**	2000 £'000	£'000
Freehold property	Shops	**7,838**		4,945	
	Bakeries	**6,146**		5,366	
	Other	**5,058**		5,180	
			19,042		15,491
Long leasehold property	Bakeries		**149**		158
Short leasehold property	Shops		**462**		519
			19,653		16,168

16. Investments

Group

Investments relate to shares in Greggs plc held by the trustees of the Greggs Employee Benefit Trust. This trust was established during 1988 to act as a repository of issued Company shares which can be purchased either on the exercise of an option by employees under the Greggs Executive Share Option Schemes or by the trustees of the Greggs Employee Share Scheme.

The trust holds 214,655 shares in Greggs plc (2000: 214,655). These are shown in the accounts at cost of £3,563,000 (2000: £3,563,000) and have a market value at 29 December 2001 of £6,574,000 (2000: £5,152,000).

The trust has registered a waiver in respect of dividends on these shares.

Parent Company

	2001 **£'000**	2000 £'000
Interest in subsidiary undertakings		
Shares at cost	**5,828**	5,828
Less: Amounts written off	**(638)**	(638)
	5,190	5,190
Employee Benefit Trust	**3,563**	3,563
	8,753	8,753

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

Charles Bragg (Bakers) Limited	Non-trading
Greggs (Leasing) Limited	Non-trading
Thurston Parfitt Limited	Dormant
Greggs Properties Limited	Property holding
Olivers (UK) Limited	Dormant
Olivers (UK) Development Limited *	Dormant
Birketts Holdings Limited	Non-trading
J R Birkett & Sons Limited *	Non-trading
Greggs Trustees Limited	Trustee

* held indirectly

notes to the accounts

(continued)

17. Stocks

		Group		Parent company
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Raw materials and consumables	4,865	4,536	4,865	4,291
Work in progress	1,410	1,100	1,410	977
	6,275	5,636	6,275	5,268

18. Debtors

		Group		Parent company
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	484	508	484	182
Amounts owed by subsidiary undertakings	-	-	18,331	21,093
Other debtors, including value added tax	5,383	5,909	5,383	5,728
Prepayments and accrued income	6,539	5,476	6,539	5,359
	12,406	11,893	30,737	32,362

19. Creditors: amounts falling due within one year

		Group		Parent company
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank overdraft (unsecured)	-	1,140	-	1,425
Loan notes	-	42	-	42
Bank loan (see note 21)	-	2,039	-	-
Trade creditors	24,097	19,658	24,097	18,836
Corporation tax	4,786	1,964	4,580	1,762
Other taxes and social security costs	3,531	3,030	3,531	2,886
Other creditors	14,914	15,103	14,914	14,681
Accruals	8,224	7,637	8,224	7,311
Proposed final dividend	5,186	4,590	5,186	4,590
Deferred government grants	24	24	24	24
	60,762	55,227	60,556	51,557

20. Creditors: amounts falling due after more than one year

	Group		Parent company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Deferred government grants	**109**	133	**109**	133

21. Financial assets and liabilities

The Group's activities are financed by cash at bank and short term investments which comprise cash placed on deposit. The Group's borrowings comprise a fixed rate, fixed term bank loan.

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 above there are no financial instruments, derivatives or commodity contracts used.

The Group considers that the interest rate risk is not significant.

For the purposes of the following disclosures, short-term debtors and creditors have been excluded, as permitted by FRS13.

The Group's financial assets comprise cash at bank. At 29 December 2001 the average interest rate earned on the closing cash balance was 3.5% (2000: 5.7%).

At 29 December 2001 the Group had no financial liabilities (2000: a bank loan in the sum of £2,039,000). The Group has an overdraft facility of £10,000,000 which was undrawn at 29 December 2001 (2000: £8,860,000 undrawn).

The maturity profile of the Group's financial liabilities at 29 December 2001 was as follows:

	2001	2000
	£'000	£'000
In one year or less	**-**	2,039

The fair value of the Group's other financial assets and liabilities is not materially different from their book values.

22. Provisions for liabilities and charges - deferred tax

	Group		Parent company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
		As restated		As restated
The provision is in respect of:				
Accelerated capital allowances	**11,969**	10,863	**9,250**	7,272

The movement in deferred tax is represented by the charge for the year.

notes to the accounts

(continued)

23. Share capital

		2001 £'000	2000 £'000
Authorised:			
25,000,000 ordinary shares of 20p		**5,000**	5,000
Issued and fully paid:			
Number of shares:			
11,984,557	At 30 December 2000	**2,397**	2,388
16,075	Issued in respect of share options	**3**	9
12,000,632	At 29 December 2001	**2,400**	2,397

Details of outstanding share options are given in note 7.

24. Share premium account

	Group and parent company £'000
At 30 December 2000	**9,558**
Premium arising on issue of shares in respect of share options	**236**
At 29 December 2001	**9,794**

25. Profit and loss account

	Group		Parent company	
	2001 £'000	2000 £'000 As restated	2001 £'000	2000 £'000 As restated
At start of year – as originally stated	**85,066**	69,357	**87,011**	72,133
Prior year adjustment – see accounting policies	**(8,852)**	(6,113)	**(5,615)**	(2,876)
As restated	**76,214**	63,244	**81,396**	69,257
Retained profit for the year	**15,146**	12,970	**14,871**	12,139
At end of year	**91,360**	76,214	**96,267**	81,396

Cumulative goodwill written off resulting from acquisitions made prior to 1 January 1998 amounts to £3,275,000 (2000: £3,275,000).

26. Commitments

a) Capital commitments

Outstanding commitments for capital expenditure at 29 December 2001 not provided for in the accounts are as follows:

	Group		Parent company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Contracted for	**2,161**	1,284	**2,161**	1,284

b) Operating lease commitments

At 29 December 2001 the Group and Company had annual commitments under operating leases on land and buildings as set out below:

	2001	2000
	£'000	£'000
Operating leases which expire:		
Within one year	**1,213**	723
In the second to fifth years inclusive	**5,882**	5,101
After more than five years	**16,690**	14,846
	23,785	20,670

The Group's business is carried on through retail outlets which are subject to operating leases which include clauses for periodic rent reviews. The property commitments above are stated at current rents.

27. Notes to the group cash flow statement

(a) Reconciliation of net cash flow to movement in net funds

	2001	2000
	£'000	£'000
Increase in cash in the period	**11,152**	9,983
Cash outflow from decrease in debt and decrease in lease financing	**2,039**	1,953
Movement in net funds in the period	**13,191**	11,936
Net funds at 30 December 2000	**16,836**	4,900
Net funds at 29 December 2001	**30,027**	16,836

(b) Analysis of net funds	At 30 December 2000	Cash flow	Other changes	**At 29 December 2001**
	£'000	£'000	£'000	**£'000**
Cash in hand and at bank	20,015	10,012	-	**30,027**
Bank overdraft	(1,140)	1,140	-	**-**
	18,875	11,152	-	**30,027**
Debt due within one year	(2,039)	2,039	-	**-**
Total	16,836	13,191	-	**30,027**

corporate governance

In June 1998, the Stock Exchange published the Principles of Good Governance and Code of Best Practice ("the Combined Code") which embraces the work of the Cadbury, Greenbury and Hampel Committees.

The Group is committed to high standards of corporate governance. This statement describes how the relevant principles of governance are applied to the Company.

The Board has complied throughout the year with the Combined Code apart from the provisions relating to the length of executive directors' notice periods.

The Board has not set as an objective the reduction of directors' service contract periods to one year or less. The Board does not wish to reduce the service contract period below the current level of two years as it feels this is the minimum appropriate to retain the services of key executives in a competitive environment.

Risk Management. The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, any such system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Following publication of guidance for directors on internal control, Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance), in 2000 the Board initiated measures to consolidate and develop the existing risk management, assurance and compliance processes into a group wide system of internal control which is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process is regularly reviewed by the Board and accords with the guidance.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis covering all functional areas but in particular the areas of Food Safety, Health and Safety, Information flow, Asset protection and Regulatory Requirements. In addition management is responsible for providing protection against these significant risks by various techniques, including putting in place adequate insurance cover. Management also reports to the Board on significant changes in the business and external environment which affect this risk profile.

The Board has 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.

The continuing role of the Board is regularly to review the key risks inherent in the business, the operation of the system of control necessary to manage such risks and its effectiveness and satisfy itself that all reasonable steps are being taken in mitigation of these risks.

The following statements show how the Company has applied the principles of the Combined Code:-

The Board and Directors

Whilst the executive responsibility for the running of the Company's business rests ultimately with the Managing Director, Mike Darrington, the Board, under the non-executive Chairmanship of Ian Gregg, meets regularly to discharge its duties. At these meetings, it reviews Group strategy, performance and matters reserved for the Board.

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. Thus the Board feels it has effectively led and controlled the Company. The Board considers that with five non-executive and two executive members the balance is suitable and complies with recommendations regarding the level of non-executives.

The non-executive directors fulfil a vital role in corporate accountability. They ensure that the strategies proposed by executive directors are fully discussed and critically examined.

Directors' C.V.s

Executive directors

Mike Darrington, 60, qualified as a Chartered Accountant and then spent 17 years with United Biscuits, latterly in General Management. During this time he attended the PMD course at Harvard Business School. He joined Greggs in 1983 and was appointed Managing Director in January 1984.

Malcolm Simpson, 60, qualified as a Chartered Accountant with what is now KPMG and then worked for eight years within the finance department of Procter and Gamble Limited. He joined the Company in 1973 and was appointed Financial Director in 1975.

Non-executive directors

Ian Gregg OBE, 62, Chairman, qualified as a solicitor before joining the Company as Executive Chairman and Managing Director on the death of his father in 1964. He built the business up from a single-shop operation to a multi-divisional specialist retailer with almost 300 shops by the time of its successful flotation in 1984. Following the appointment of Mike Darrington in January 1984, Ian continued in the role of Executive Chairman until July 1993. He was then invited to become non-executive Chairman in order that the Board could avail itself of his unequalled experience of both the industry and the Company.

Stephen Curran, 58, joined the Board in 1981. He was appointed Chairman of Candover Investments plc in May 1999, having previously been Chief Executive of Candover since January 1991. Prior to joining Candover in May 1981, he was a managing consultant with Coopers & Lybrand Associates and then an investment manager with what is now Cinven. He is a non-executive director of Jarvis Hotels plc and a number of unquoted companies.

Sonia Elkin OBE, 69, is a former CBI Director, responsible for its Regional organisation and policy in relation to Smaller Firms. She was a Commissioner of the Manpower Services Commission and served on a DTI committee on deregulation. She is a member of the Review Committee of the Institute of Chartered Accountants. She joined the Board in 1992, is Chairman of the Audit Committee and has been appointed the senior independent non-executive.

Susan Johnson OBE, 44, was appointed to the Board in March 2000. She obtained an MBA in 1993 after which she pursued a career in sales and marketing before being appointed as Chief Executive of the Northern Business Forum. She is now an Executive Director of Yorkshire Forward.

Derek Netherton, 57, spent his career in investment banking and retired in 1996 as joint head of corporate finance at J Henry Schroder & Co. He is a non-executive director of Next plc, Hiscox plc, St James's Place Capital plc, Plantation and General Investments plc, Schroder Property Investment Management Limited and Life Assurance Holding & Corporation Limited.

After carefully considering the guidance in the Combined Code, all of the non-executive directors are considered to be independent of management and free from any business or other relationship which would materially interfere with the exercise of their independent judgement.

To facilitate the effective administration of the Group's affairs, the Board has established sub-committees as follows:

The Audit Committee consists of three non-executive directors (Miss S.I.L. Elkin OBE – Chairman, Mrs. S. Johnson and Mr. S.W. Curran). It meets twice a year and, as its main function, reviews the annual and interim financial statements issued to shareholders, compliance with financial reporting standards, internal financial controls, the scope of the external audit and the report of the auditors.

The Remuneration Committee consists entirely of non-executive directors (Mr. I.D. Gregg OBE – Chairman, Mr. S.W. Curran and Miss S.I.L.Elkin OBE). Its main duties are to review and make recommendations to the Board on the basic salary, benefits in kind, terms and conditions of employment including performance-related bonuses, share options and pension benefits of executive directors. In order to assist with these duties the Committee has used the services of a leading specialist consultancy.

The Board report on directors' remuneration is included on page 39 of this Annual Report. This provides an indication of how the principles of the Combined Code have been applied.

The Nominations Committee comprises Mr. I.D. Gregg - Chairman, Mr. M.J. Darrington - Managing Director and Miss S.I.L. Elkin OBE. Its duty is to ensure that there is a formal and transparent procedure for the appointment of new directors and the reappointment of existing directors to the Board.

Going concern.

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.

Relations with shareholders.

There is regular dialogue with individual institutional shareholders as well as general presentations after the interim and preliminary results.

The directors believe that the Annual General Meeting provides an excellent forum for communication with investors with the Chairman of the Board and its sub-committees available to answer any issues raised.

At the Annual General Meeting the balance of proxy votes cast for or against each resolution are indicated after it has been dealt with on a show of hands. All substantial issues including the adoption of the annual report and accounts are proposed at the Annual General Meeting as separate resolutions.

The Company intends to comply with the Combined Code and give 20 working days notice of the Annual General Meeting.

Accountability and audit.

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 Managing Director's and Chairman's statements which supplement the statutory accounts themselves.

The procedures regarding internal controls and the operation of the Audit Committee are outlined above.

The Company has now implemented a full time internal audit function following its periodic review of the need for such a function during the year. This is in order to further improve its monitoring of systems of control and augment the examination carried out by external audit.

The Audit Committee 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.

A statement of directors' responsibilities in respect of the preparation of accounts is given on page 14.

corporate social responsibility

Greggs' culture and values are built upon a foundation of an awareness of its social responsibility. It is committed to making a positive difference for its customers, its employees and for the wider communities in which it operates. Greggs plc has a set of aspirational values which are the basis for everything from operational activity to policy production, contained within the statement that:-

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

Examples of how these values are put into practice outside the company's core business activities include:

- A group of dedicated staff work together for the benefit of the community by organising the major annual fun run sponsored by Greggs of Gosforth in aid of children's cancer research. This has raised well over £2 million since its inception in 1983.
- On a nationwide basis, Greggs is a member of the "Per Cent" Club and made charitable donations of £327,000 in 2001, the bulk of which was directed through the Greggs Trust.
- The Greggs Breakfast Club scheme is designed to get children in selected primary schools off to a better start by providing them with free breakfasts. Greggs funds all of the food, including providing fresh bread from the local Greggs shop, together with the necessary equipment. Under the now well established model, Greggs staff work with school teachers to encourage parents, grandparents and others to run the clubs, including serving the breakfasts, thereby helping them to help others in their own communities. There are already 20 Greggs Breakfast Clubs in the North and Midlands and it is intended that this will increase over time. The concept has been validated by external independent research, which has shown that breakfast club attendance encourages children to get to school on time and increases attentiveness in class.
- Many staff fund raising activities, such as Bakery open days, direct the proceeds to the Greggs Trust. The main objective of Greggs Trust (a registered charity, founded by Ian Gregg in 1987), is the alleviation of the effects of poverty and social deprivation in the areas where the Company trades. Its income in 2001 was £532,787, derived partly from the Greggs plc donation, the staff fund-raising initiatives, and donations received from employees under Give As You Earn (the payroll giving scheme). The balance was from donations from major shareholders and income from investments (including shares in Greggs plc) held by the Trust. Funds are distributed by the Trustees and via the 13 Charity Committees operating across the country offering support to good causes within our trading areas.
- The Company's investment of £500,000 in 2000 in the Newcastle Employment Bond for a five year period, which is secured as to repayment by Northern Rock plc. This investment is at zero rate of interest. The purpose of the investment is for all the interest foregone to be used to help tackle long term unemployment in the Newcastle area.

Although Greggs provides funding and makes time available for its staff to become engaged in these community activities, the real credit is due to the staff themselves, at all levels, for their voluntary commitment and for the inestimable benefit of what they achieve in Greggs' name.

The community is not just the people that live in it, but also the environment in which they live. Greggs believes that its operations should have the minimum adverse impact on the environment consistent with its long-term business objectives. This is endorsed by the Main and Management Boards. To this end we have undertaken a review of our position and are currently working on identifying and spreading Greggs' best practice and setting targets for the reduction in adverse environmental impact, including the levels of waste and energy usage.

report of the board on directors' remuneration

Introduction

The Board is pleased to present this report to shareholders for the 52 week period ended 29 December 2001.

The remuneration packages of the executive directors are determined, on behalf of the Board, by the Remuneration Committee, consisting of three non-executive directors, Mr. S.W. Curran, Miss S.I.L. Elkin OBE and myself as Chairman. None of the Committee members have a personal financial interest, other than as shareholders, in the matters to be decided. There are no conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the business.

The remuneration of the executive directors consists of a basic salary, benefits in-kind, an annual performance-related bonus, profit share, long-term incentive schemes and a contribution to Company pension schemes. Details of the amounts of each element are set out in notes 5 and 6 to the accounts.

The remuneration of the non-executive directors is determined by the executive directors.

Objectives

The aim of the Committee is to ensure that the Company has competitive remuneration packages in place, in order best to serve the interests of the Company, the shareholders and employees. In order to assist in meeting this aim on an informed basis, the Committee commissioned a report by an independent consultant in 1998.

Salaries

Base salary reflects job responsibilities, their market value and the level of individual performance. The Company sets base salaries around the upper quartile relative to comparator companies, reflecting the level of its achievements over a sustained period and its desire to retain these for the future.

Benefits in Kind

These are the use of a company car, private medical cover and permanent health insurance.

Annual Bonus

The annual bonus is directly determined by reference to the level of achieved net profit before tax in relation to the budget approved by the Board. The relationship between level of bonus and variance from budget is set by the Remuneration Committee.

Profit Share

The executive directors participate in the overall Company Profit Share Scheme, in which 10% of Company profits are distributed half-yearly to all employees on a formula related to service and salary level. This profit share can be taken in the form of shares in the Company purchased by the Trustees of the Employee Share Scheme.

Long-Term Incentive Schemes

The Company operates both Inland Revenue approved and unapproved long-term share incentive schemes to encourage the executive directors and employees to hold shares in the Company and to enhance share values.

In accordance with the Joint Statement from the Investment Committees of the Association of British Insurers and the National Association of Pension Funds, the total number of shares on which the Company may grant options is limited and the directors have chosen to allocate most of the number available to S.A.Y.E. schemes open to all employees. This has restricted the number of shares available to be allocated under the Senior Executive Share Option Scheme. This has been in existence since 1987 and the last grant of options was made in 1999. Options have been granted on a discretionary basis to senior executives and managers, as well as to executive directors. The Savings Related Share Option Schemes are an all-employee arrangement, including executive directors.

Pensions

Mr. M.J. Darrington and Mr. M. Simpson are members of the Greggs 1978 Retirement and Death Benefit Scheme and, in accordance with the Combined Code recommendations, only their basic salary is pensionable. The scheme, which requires a contribution of 5.7% of pensionable salary from members, provides for up to two-thirds of final pensionable salary, dependent on length of service.

Mr. M.J. Darrington is the sole member of the Greggs Bakeries (MJD) Retirement Benefit Scheme which is a defined contribution scheme, the cost of which is met by the Company.

Mr. M. Simpson is a member of the Greggs Senior Executive Pension Scheme which is a defined contribution scheme. The Company contributes 5% of basic salary to the Scheme and members may also make contributions.

Service contracts

Mr M.J. Darrington and Mr. M. Simpson have service contracts which are terminable by the Company on two years' notice, this being the minimum considered appropriate by the Board to retain the services of key executives in a competitive environment, or by the individual on not less than six months' notice.

On behalf of the Board of Greggs plc

I.D. GREGG OBE

Chairman of the Board

8 March 2002

10 year history

	1992	1993	1994	1995	1996	1997	1998	1999	2000 (as restated)	2001
Turnover (£'000)	100,990	110,426	167,851	219,514	238,465	265,941	291,420	308,678	339,008	377,556
Profit on ordinary activities before taxation (£'000)	6,967	9,019	12,017	13,056	15,673	18,035	20,214	21,520	26,356	32,742
Shareholders' funds (£'000)	26,314	30,475	36,591	41,219	48,107	58,384	69,585	80,896	88,169	103,554
Earnings per share (pence)	40.6	53.0	71.0	79.0	95.8	121.1	122.8	135.1	162.3	190.2
Adjusted earnings per share (pence)	40.6	53.0	71.0	79.0	95.8	111.2	122.8	135.1	162.3	190.2
Dividend per share (pence)	15.0	18.0	23.0	26.0	32.0	37.0	41.0	45.0	55.0	65.0
Cash generated by operations (£'000) (before dividends, tax and capital expenditure)	11,466	14,670	25,251	20,838	24,955	30,408	34,902	34,526	43,431	50,418
Capital expenditure (£'000)	5,046	5,643	15,008	11,931	15,669	24,364	26,204	22,403	21,397	27,385
Acquisition of Baker's Oven (£'000)	-	-	19,547	-	-	-	-	-	-	-
Number of shops in operation at year end	485	499	930	967	1,032	1,057	1,072	1,084	1,105	1,144

DIRECTORS

Ian Gregg OBE (Non-executive chairman)†ø

Mike Darrington FCA (Managing)ø

Malcolm Simpson FCA (Financial)

Steven Curran FCCA (Non-executive)*†

Sonia Elkin OBE (Non-executive)*†ø

Susan Johnson OBE (Non-executive)*

Derek Netherton (Non-executive)

*Member of Audit Committee †Member of Remuneration Committee
øMember of Nominations Committee

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NE3 1HA

Merchant Bankers

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Corporate Finance Advisory
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Auditors

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Newcastle upon Tyne
NE1 3DX

Stockbrokers

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Registrars

Capital IRG plc
Bourne House
34 Beckenham Road
Beckenham Kent BR3 4TU

nationwide coverage

GREGGS

SHOP NUMBERS	2001	2000
Scotland	**118**	115
Gosforth	**112**	109
Birketts	**50**	51
Yorkshire	**102**	98
North West	**120**	115
Midlands	**119**	109
Treforest	**81**	73
Enfield	**95**	88
Twickenham	**108**	100
TOTAL	**905**	858

BAKERS OVEN

SHOP NUMBERS	2001	2000
Scotland	**33**	37
North	**51**	51
Midlands	**88**	89
South	**67**	70
TOTAL	**239**	247

	2001	2000
TOTAL GROUP	**1,144**	1,105

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GREGGS plc