GREGGS The home of fresh baking®

Building Our Brand

Greggs Annual Report & Accounts

2012

Freshly Baked
Savouries
Fresh soup
Pizza

Freshly Ground
Coffee
Hot chocolate
Tea
Sandwiches

Welcome

Greggs is the UK's leading bakery retailer specialising in freshly made bakery food. With over 1,671 shops across the UK served by ten regional bakeries, our 20,000 employees are proud to serve six million customers each week.

Highlights

Operational

118
Shop refurbishments completed

100
New shops opened

750
New retail jobs created

5
Greggs moment coffee shops now operating

£735m
Total sales

Financial

Sales up 4.8% to £735m
(2011: £701m)

Pre-tax profit* down 2.2% to £51.9m
(2011: £53.1m)

Diluted EPS* up 0.5% to 39.0 pence
(2011: 38.8 pence)

Dividend per share up 1.0%

*Pre-exceptionals.

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*These sections form the Business Review and Report of the Directors and have been prepared pursuant to the Companies Act 2006.

Greggs at a glance

We are passionate about baking and offer our customers quality, fresh food at great value prices. 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. As well as on the UK's high streets and in shopping centres, Greggs can increasingly be found at retail, industrial and business parks, bus interchanges, universities, airports and other locations where people live, work, travel and spend their leisure time.

Routes to Market

Food on the go
In 2012 we opened 48% of our net new shops in locations away from high streets, to make Greggs even more accessible to people at work, travelling and at leisure.

Greggs the Bakery
Our newest local bakery concept shops give customers a more traditional baker's shop experience, offering new lines including artisan breads, new and traditional cake ranges and exciting shop window displays, all alongside our best-loved products.

Greggs moment
Our new coffee shop format where customers can relax in a modern, contemporary environment and enjoy a menu of outstanding bakery food with a wide selection of freshly ground coffees and teas.

Wholesale
We now supply a range of 21 savoury and sweet lines in dedicated Greggs cabinets sold in over 750 Iceland frozen food stores around the UK and abroad.

Franchise
A partnership with Moto which brings together Britain's biggest operator of motorway service areas and Britain's biggest bakery retailer will see 30 Greggs at Moto service areas across the UK.

Our Network

Britain's Favourite Baker

240
Shops in Scotland:
18 net new shops opened in 2012

211
Shops in the North West:
5 net new shops opened in 2012

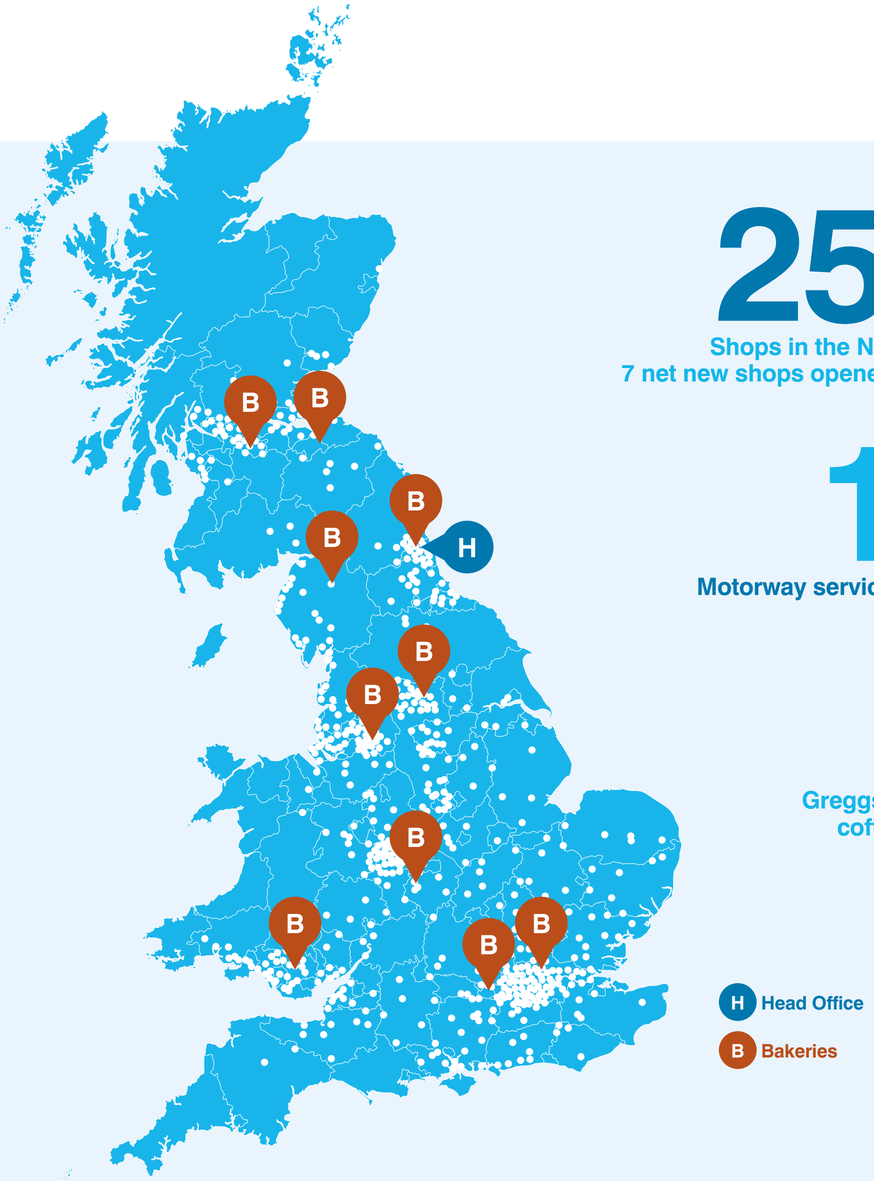
302
Shops in Central:
16 net new shops opened in 2012

221
Shops in South West:
15 net new shops opened in 2012

1,671

Shops

A record 100 net new shops opened in 2012



258

Shops in the North East:
7 net new shops opened in 2012

10

Motorway services shops

5

Greggs moment coffee shops

209

Shops in London:
10 net new shops opened in 2012

215

Shops in the South East:
14 net new shops opened in 2012

Our Vision & Values

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, great tasting, high quality food, made with wholesome ingredients. Our highly trained staff handmake sandwiches in our shops each day.

For our people...
We aim to provide a great place to work, where our people feel valued, are looked after, and where each individual is recognised as integral to the success of our business.

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

For our communities...
We promise to continue to help make a difference to people's lives.

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 brand.

Our strategy & business model

What we do: First and foremost Greggs is a baker. We operate from locations throughout Britain serving customers across the whole country.

Our Business Model

How we create value

We own and operate an integrated supply chain from production through distribution to point of sale. This means we can make outstanding bakery food at great prices delivering value for our customers and shareholders alike.

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.

No.1

Our goal is to be the number one for sandwiches and savouries.

Our Strategy

How we plan to accomplish our aims

Meeting customer needs:

- We will develop our product ranges to meet changing customer tastes, whilst retaining the quality, value and service that Greggs is known for.

Investing in shops:

- We will continue to open new stores, in new locations, whilst diversifying our estate and investing in store formats.

Developing new markets:

- We will continue to explore opportunities to bring products to markets where customers cannot currently access the Greggs brand.

Competitive advantage through our supply chain:

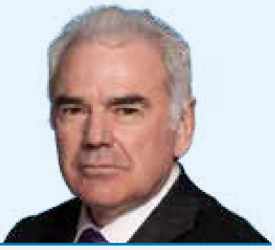
- We will continue to invest in product quality and the efficiency of our manufacturing and logistics operations.

Living Greggs values through our people and our communities:

- Our people are our greatest asset and we will do even more for our local communities.

Chairman's statement

"I am pleased to report another year of progress towards our key strategic objectives, designed to strengthen the business for the longer term."



Derek Netherton
Chairman

In my 11th and final report as Chairman, I am pleased to report another year of progress towards our key strategic objectives, designed to strengthen the business for the longer term. In particular, we have continued to diversify our activities, making Greggs more accessible to more customers through the rapid and profitable development of the new business channels of wholesaling and franchising, at the same time as opening a record number of new shops. While progress in these strategic areas has been encouraging, market conditions in 2012 continued to be exceptionally challenging.

Our financial performance

In 2012 consumer spending remained under pressure, shopper footfall declined, and the country experienced some of the wettest weather ever recorded. Despite this, sales grew by 4.8 per cent to a record £735 million though like-for-like sales were 2.7 per cent lower and pre-tax profit before exceptional items was £51.9 million, a reduction of 2.2 per cent.

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 the business and our determination to deliver value to our shareholders. The Board recommends a maintained final dividend of 13.5 pence per share, making a total dividend for the year of 19.5 pence (2011: 19.3 pence), an increase of 1.0 per cent.

The Board

In December 2012 Ken McMeikan announced his intention to leave Greggs to take up the position of Chief Executive of Brakes Group, and he left the Board on 8 March 2013 following the appointment of Roger Whiteside as his successor. I would like to record our thanks to Ken for his leadership since he joined Greggs in 2008, and particularly for the role he has played in developing our strategic vision, strengthening the business, living our values and further enhancing our place in the community.

Roger Whiteside took up the position of Chief Executive on 4 February 2013, having been a member of our Board as a Non-Executive Director since 2008. Roger was previously Chief Executive of Punch Taverns plc and brings to his new role more than 30 years' experience of food and retailing gained with Marks & Spencer, Ocado and Threshers. He also has the great advantages of having been directly involved in the development of our strategy and of already being known and well respected by our people. I am sure that Greggs has a great future under his leadership.

Allison Kirkby joined the Board as an Independent Non-Executive Director on 30 January 2013. Allison is Chief Financial Officer of the global media production company Shine Group, and brings to the Board expertise in finance, consumer products and the media industry. She will succeed Ian Durant as Chair of the Audit Committee when Ian takes my place as Chairman of the Board after the Annual General Meeting in May 2013.

My own intention not to seek re-election at the AGM was announced in September 2012 and I am pleased to pass on my responsibilities as Chairman to such a capable successor as Ian Durant. Since I succeeded Ian Gregg as Chairman in 2002, the Group has opened more than 450 new shops and created around 3,000 additional jobs. It has also undergone fundamental changes in its management, structure and strategy and is now a much more centrally run business with a harmonised product range and a single, strong national brand. I am very grateful to my colleagues on the Board and throughout the business for their unstinting help and support during my time with Greggs.

Our values

Greggs' special values have always set the Company apart and I am delighted that we have been able to maintain and increase our contribution to the community in these economically difficult times. For the second year in succession, our people and customers raised an amazing £1 million for the BBC Children in Need appeal and we also gave money to a range of other good causes and opened our 220th Greggs Breakfast Club.

My greatest pleasure in chairing Greggs has been getting to know our outstanding people, whose dedication to making great products and delivering excellent customer service is simply second to none and who are, without doubt, one of the greatest strengths of the business. On behalf of the Board, I would like to thank all 20,000 of them for their individual contributions to overcoming the many challenges we faced together during 2012 and I wish them all well for the future.

Prospects

There can be no doubt that the trading environment will remain very challenging in 2013, with consumers remaining cautious and inflationary cost pressures affecting a number of our key commodities. We have set our plans for the year accordingly, with a renewed focus on driving sales from our core retail estate while continuing to develop our wholesale and franchise channels to new markets.

During the year we intend to make substantial investments in the business, more than doubling the pace of refurbishments in addition to opening new shops in targeted locations. We are also in the process of acquiring the site where we plan to construct a new frozen manufacturing facility in Leicestershire in order to meet the growth in demand from all our channels to the customer.

As I step down from the business this year, I am confident that we have the right ingredients for further growth under the leadership of Ian Durant, Roger Whiteside and the management team and that the longer term prospects for Greggs are strong.

Derek Netherton
Chairman
20 March 2013

"During the year we intend to make substantial investments in the business, more than doubling the pace of refurbishments in addition to opening new shops in targeted locations."

Chief Executive's report

"Against this very challenging background, Greggs increased its sales to a record of £735 million, a rise of 4.8 per cent."

Roger Whiteside

Chief Executive

Success in our new business channels coupled with new shop openings saw total sales growing again this year although challenging market conditions resulted in disappointing like-for-like sales in our existing estate.

Market background: another challenging year

We saw no let-up in the pressure on our customers' disposable incomes during 2012. Consumers are shopping less and looking to make their money go further, putting pressure, on marginal shopping locations and weaker brands. This was reflected in the failure of a number of well-known retail chains in the course of the year.

With shopper footfall remaining under pressure, we continued to rebalance our business by opening more shops where our customers work, travel or spend their leisure time, and developed new markets working in partnership with Iceland and Moto.

The weather was particularly poor during the year, which was the second wettest in the UK since records began. This was a significant deterrent to the frequent shopping trips that are a particular feature of a daily purchase business like Greggs.

With like-for-like sales under pressure throughout the year, our focus was to offer the best possible value to our customers. Our teams worked hard to deliver substantial cost savings across the business and we increased our investment in promotions, particularly in our popular meal deals.

Financial performance: resilient under difficult conditions

Against this very challenging background, Greggs increased its sales to a record of £735 million, a rise of 4.8 per cent. The main drivers of this growth were the good performance of our newly opened shops and the rapid expansion of our new wholesale business. Like-for-like sales were disappointingly down 2.7 per cent. Operating profit before exceptional items was down 2.2 per cent at £51.8 million and pre-tax profit before exceptional items down by 2.2 per cent to £51.9 million. Our Finance Director Richard Hutton comments on financial performance in more detail in the Financial Review.

Our products: responding to our customers' needs

Our customers continue to look to Greggs for great tasting, high quality, fresh food that also provides outstanding value. Our focus on value for money through meal deals saw strong sales, particularly at breakfast where our offer of a fresh bacon or sausage breakfast roll with a hot drink for just £2 was by far our most successful offer in 2012, with more than seven million sold during the year.

Coffee is a fast-growing category and sales of our fresh Fairtrade coffee continue to grow strongly, with 21 million cups sold in the year, an increase of 23 per cent demonstrating Greggs' growing reputation in this important market.

The development of lower calorie options within the Greggs range is gathering pace with successful introductions such as porridge, salads, fruit pots and lower calorie sandwich choices.

Our traditional categories saw strong sales from new products such as our chicken tandoori baguette, selling over 3.5 million; chicken curry lattice, selling over 2 million; and our new raspberry cupcake, with over 2.5 million sold.

New ranges of sandwich and cupcake platters were also successfully launched in 2012, priced from £6 to £12.50.

A Government proposal to extend VAT to include freshly baked savouries thrust the Greggs Brand into the spotlight as we successfully led an industry campaign against this proposal. I would like to thank all our employees who made time for the enormous effort needed to mount the campaign on top of their normal business activities. The outcome is a sensible solution that is good for the bakery industry and its customers alike and creates a clear and objective test of what constitutes hot food for the future.

Greggs brand awareness is strengthening as we build a substantial following online and increase advertising across a range of media. We now have 663,000 Facebook fans, more than double the number a year ago. This year we will further strengthen our connection with our customers by launching a loyalty scheme enabling us to reward our customers and further target our marketing.

Our shops: making Greggs more accessible and enjoyable

We opened 121 new shops in 2012 and delivered a net increase of 100, after 21 closures, to give us a total of 1,671 shops at 29 December 2012. This included ten new franchised shops in motorway service stations in partnership with Moto Hospitality Limited. Almost half our net new openings were in locations such as retail and industrial parks, motorway service stations and travel hubs.

> "We opened a record 121 new shops in 2012 and delivered a net increase of 100."

Our Greatest Asset

We shared 10% of our profits with our people in 2012.

Chief Executive's report (continued)

We completed 118 shop refurbishments during the year. These focused on making the Greggs shopping experience even more enjoyable for our customers by increasing the space for browsing, making more products available for self-selection and providing seating wherever possible. The returns on these refurbishments exceeded our targets in the year.

A further development in 2012 was the successful launch in June of our new 'local bakery' format, "Greggs the Bakery" in Gosforth, Newcastle upon Tyne. The concept combines the best-loved elements of the core Greggs sandwich, savouries and hot drinks range with new types of artisan breads freshly baked on the premises and an extended range of cakes, confectionery and pizzas. The shop features a new style of layout and design to provide a much more traditional bakery shop experience, and is differentiated from our 'food on the go' outlets. The results from the initial trial led us to extend the concept to a further ten locations by the end of the year; and we continue to be pleased with the results and plan to roll out the concept further this year.

"Greggs moment", our coffee shop concept, is now operating in five locations and a further three new shops across the Midlands will open shortly. Tony Rowson, formerly a senior executive at Costa Coffee, joined us in October to head our developing business in this fast-growing market, and we are already seeing the benefits of his extensive industry experience. Following the launch of the additional three shops we will complete a full review of the concept and decide on its roll-out potential.

With the success of our 'food on the go' and 'local bakery' refits during 2012 we have changed the shape of our plans to invest in shops this year. Our focus in 2013 will be on investing to improve sales from our core estate. We plan to refit a total of 250 shops, comprising both 'food on the go' outlets and the roll-out of the "Greggs the Bakery" format. We will also extend the most successful elements of the "Greggs the Bakery" range to shops in other suitable neighbourhood locations which will receive full refits in the future. We will continue to open new shops, though reverting to a more normal level of around 50-60 new openings, net of closures. These will include further franchised shops in motorway service areas in partnership with Moto.

Developing new markets

As well as investing in our existing chain of shops we are excited by the potential for growth in new markets working in partnership with Iceland and Moto. Greggs' existing business is focused on the 'food on the go' and 'local bakery' markets but our success in selling a range of frozen products in Greggs branded cabinets in Iceland stores has shown we can compete effectively in the 'bake at home' market, taking market share from existing packaged brands. We believe this is an exciting new area of opportunity and

in February 2013 we extended the range in Iceland to include additional pasties, pies and dessert lines.

In addition we plan to expand in new market segments. We successfully opened ten shops last year in motorway service stations working with Moto on a franchise basis and will open more this year.

Our supply chain: achieving efficiencies and investing for growth

Greggs' vertical integration as both a baker and a retailer is a key point of difference and an important competitive advantage, particularly in a climate where consumers are increasingly concerned about the provenance of the food they eat. Our unique recipes, bakery expertise and sheer passion for our products all help to set Greggs apart and to deliver the great taste, quality and value that our customers expect. The quality of our facilities was recognised by the award of British Retail Consortium (BRC) accreditation to a number of our bakeries and production facilities during the year.

We have achieved substantial cost savings in our supply chain by investing in more efficient processes that have also enhanced food quality and safety across the business. Our originally targeted savings of £10 million over five years were delivered two years ahead of schedule in 2012 and we have now increased the target to £15 million by 2014.

Building the Brand:

Greggs moment

We believe there is an opportunity for Greggs to establish itself in the growing coffee shop market and in October 2011 opened our first trial coffee shop, 'Greggs moment.'

We extended this to a total of five trial coffee shops in 2012, and continue to develop the format further with new openings planned in 2013.

Greggs moment is a place where customers can relax in a modern, contemporary environment to enjoy a new menu of outstanding quality, freshly baked food and a wide selection of hot drinks, including freshly ground coffees and a selection of teas.

Our unique attraction is, we believe, a coffee shop experience with a fresh food selection that exceeds that of competitor coffee shops, all at affordable Greggs value prices.

The new food range is bespoke to Greggs moment, from a menu created to suit the 'sit-in' customer, based on customer research. The food is made fresh in our local regional bakery.

The unique design is a contemporary, homely environment, distinctively British with quirky features such as bowler hat lighting and lightshades featuring images from the local area. All our Greggs moment coffee shops include free Wi-Fi.

Customer reaction has been very positive and we will continue to adapt and roll out our coffee shop format in 2013.

Chief Executive's report (continued)

Building the Brand:

Greggs the Bakery

Greggs the Bakery is our latest refit format for specific locations such as local shopping parades closer to residential areas, market towns and areas where customers shopping locally might expect to find a more traditional bakery.

The format is that of a traditional bakery shop with a contemporary look and feel, a large shop window and more counter display space than you would find in our 'food on the go' format.

Alongside our standard 'food on the go' ranges, Greggs the Bakery has a wider range of bread, including artisan breads, confectionery and other traditional bakery food, all designed for this format.

Customers will typically spend longer browsing and experience a different shop environment that highlights our bakery credentials.

The unique shop style, a contemporary twist on a traditional bakery shop, differentiates Greggs the Bakery from our 'food on the go' shops and provides customers with an alternative shopping experience, all at Greggs great value pricing.

Other features include a bread oven to bake bread in-store and extensive confectionery displays around the shop.

In 2012 we refitted 11 Greggs shops to this format and have announced plans to refit significantly more of our estate to this format in 2013.

Following the opening of major new bakeries in Newcastle upon Tyne and Penrith in 2011, 2012 was a quieter year for investment in our supply chain. We completed a £2.5 million upgrade to increase the capacity of our savoury manufacturing plant in Newcastle upon Tyne, and opened a new 'micro' bakery in Norwich to support our expansion into East Anglia, a region outside the reach of our main regional bakeries.

Looking ahead we have commenced the planning of a new £30 million frozen manufacturing facility in Leicestershire to complement our existing bakery at Balliol Park in Newcastle upon Tyne. This will provide substantially increased capacity to support our own retail expansion as well as the continued growth of our wholesale business, and will also deliver significant savings in logistics costs by bringing production closer to our customers in the Midlands and South.

I am pleased to welcome to the business Gavin Kirk, who joined us as Operational Supply Chain Director in May 2012, from Mars UK where he was European Supply Director. I would also like to congratulate everyone who works in our supply chain for their achievements during the year, both in successfully bedding down two major new bakeries and in maintaining supplies to our shops in the face of many unusual challenges, from floods to the traffic restrictions imposed in the London area during the Olympic and Paralympic Games.

Social responsibility: doing the right thing

Greggs' long-standing commitment to corporate social responsibility lives at the core of our values, and I am happy to confirm my personal commitment to maintaining this tradition of putting people, the community and our environment at the very heart of everything we do.

Our continued progress against our key Social Responsibility targets in 2012 is detailed in our Social Responsibility report on pages 18 to 21. A particular highlight of our community work was the opening of our 220th Breakfast Club. We have successfully extended support for Breakfast Clubs by involving new corporate partners and now serve more than two million free breakfasts to disadvantaged primary school children each year. The generosity of our people and customers was undimmed by the recession, enabling us again to raise an incredible £1 million for the BBC Children in Need appeal. We also continued to support the excellent work of the Greggs Foundation, to which we donate at least one per cent of our pre-tax profits each year, and which made grants of over £1.4 million during 2012.

During the year we removed the very last artificial flavour from the Greggs product range and we are proud that everything we produce ourselves is now free from added artificial colours and flavours, hydrogenated vegetable oils, trans fats and genetically modified ingredients. We have also continued to work to reduce the salt and fat content of our products through recipe improvements.

Further progress has been made in reducing the carbon footprint of our supply chain, and we have again reduced the amount of waste we send to landfill.

We welcomed 750 new people to our retail team through our new shop openings in 2012, and continued our efforts to make Greggs a great place to work for all our 20,000 employees. I am delighted that they will again share ten per cent of our profits this year, a total of £5.8 million. We have opened the doors of Greggs to show the fantastic team of people who work in our business. They will appear in a major new eight part TV series which is due to air this year, and will, I am sure, help the public to identify even more strongly with Greggs as an already much-loved national brand.

Ian Gregg, our former Chairman, has written a new history of Greggs, all royalties from which he has generously agreed to donate to the Greggs Foundation, which he established in 1987. The book will be sold in our shops with all the profit we make on sales of the book also going to the Greggs Foundation.

We were pleased to achieve recognition of the business at a number of awards ceremonies during the year. These included being named Bakery Food Manufacturer of the Year, Sandwich Retailer of the Year, North East Company of the Year and receiving a special Café Chain Development Award for "Greggs moment".

Outlook for 2013

As the Chairman has noted, this will undoubtedly be another challenging year for the UK retail industry. The severe snow in January has added to the on-going pressures of continued consumer recession, and while total sales for the first 11 weeks to 16 March 2013 were up 4.2 per cent, like-for-like sales were down by 4.0 per cent. There has been an improving trend following the snow-impacted January when like-for-like sales were down 5.7 per cent, with February improving to a like-for-like decline of 2.0 per cent. Consumer incomes remain under pressure and we continue to respond by offering customers even better value through further investment in our popular promotions and meal deals.

We have reshaped our plans for 2013 to focus on our core estate by increasing investment in our successful new formats in 'food on the go' and 'local bakery'. This will impact like-for-like performance in the short term due to increased shop closure periods but will provide a stronger platform for growth in the future. At the same time we will continue to develop sales through new shop openings and make further progress in new markets through our wholesale and franchise agreements. Investment in our supply chain will meet the growth in demand for our products across all these areas and we will continue to drive efficiencies to help mitigate the impact of commodity inflation on pricing to customers.

Greggs is a great business with an iconic brand, outstanding people and a clear strategy for long term, profitable growth. As a result I believe that the business is well placed, although profit growth is likely to be held back this year as we invest to strengthen the business for the longer term.

I am delighted to have been given the opportunity to succeed Ken McMeikan as Chief Executive of this business. I wish Ken success in his new role and would like to take this opportunity also to thank our outgoing Chairman Derek Netherton, alongside whom it has been my pleasure to work on the Board for nearly five years. Derek has provided decisive and sensitive leadership during a period of major change for the business over the past decade.

Roger Whiteside
Chief Executive
20 March 2013

Financial review

“We continue to make good progress against our cost saving targets. The cumulative annual benefits of our plan to achieve efficiencies from our supply chain reached £10 million at the end of 2012.”

Richard Hutton

Finance Director

The development of our profitable wholesale and franchise business channels mitigated the impact of reduced like-for-like sales in the core Greggs estate in 2012. Together with the contribution from our new shops and the continued success of our cost saving programmes, this enabled us to deliver a resilient performance overall whilst remaining cash generative and financially strong.

Sales

Total Group sales for the 52 weeks ended 29 December 2012 were £735 million (2011: £701 million), an increase of 4.8 per cent. Like-for-like sales were down by 2.7 per cent over the year as a whole. Our success in wholesaling and franchising generated additional sales of 2.8 per cent.

Profit before exceptional items

Operating profit before exceptional items was £51.8 million (2011: £53.0 million), a 2.2 per cent reduction. The result reflects the impact of reduced like-for-like sales in the core Greggs estate, partially mitigated by the further development of our business with wholesale and franchise customers.

After net finance income of £0.1 million (2011: £0.1 million) pre-tax profit before exceptional items was £51.9 million (2011: £53.1 million), a 2.2 per cent reduction.

Operating margin

Operating margin before exceptional items was 7.1 per cent (2011: 7.6 per cent).

Gross margins in our core retail estate were maintained in the year despite continued commodity cost inflation and an increased investment in promotions. The overall gross margin for the business reduced as a result of a greater participation in wholesale and franchise sales, although the impact of this new business was positive at the net operating margin level.

We continue to make good progress against our cost saving targets. The cumulative annual benefits of our plan to achieve efficiencies from our supply chain reached £10 million at the end of 2012, two years ahead of the original plan, and we remain on track to achieve £15 million of efficiencies by 2014. In addition, continuing savings of £5 million were achieved in the year through a focus on simplifying our shop operations, better buying and further benefits from centralising our support teams. Overall administrative expenses reduced by £1.5 million in 2012 despite growth in the business.

We were pleased with the contribution made by new shops opened in the year. We monitor closely the performance of our estate and actively manage openings and closures to ensure that our shops continue to be in locations that match customers' needs. In 2012 we closed 21 shops and made a charge of £0.5 million against a further 22 shops where performance is such that the assets are considered to be impaired. In 2013 we expect around 30 further shop closures as we exit under-performing shops or relocate to better sites.

In 2012 we recognised gains on the disposal of two freehold properties totalling £0.8 million. A comparable figure was realised in 2011 on the disposal of onerous leases against which provisions had previously been made.

Looking forward to 2013 we will be adopting Amendments to IAS 19: “Employee Benefits”, the impact of which will be to increase the charge relating to the Group's defined benefit pension scheme. The 2012 results will be restated on the same basis, resulting in an additional £1.0 million charge in the year and we anticipate an additional charge of £0.8 million in 2013. The restated 2012 pre-tax profit before exceptional items on this new basis will be £50.9 million.

Exceptional items

During 2012 we successfully disposed of our old Newcastle bakery site with the leases being surrendered without recourse. This allowed us to release the exceptional onerous lease provision made in 2011 and, along with sale proceeds, a total of £1.4 million has been shown as an exceptional gain in 2012.

Pre-tax profit including exceptional items was £53.3 million (2011: £60.5 million).

Taxation

The Group's effective tax rate for the year was 24.0 per cent (2011: 26.4 per cent), a reduction of 2.4 percentage points. This reflected the lowering of the headline rate of corporation tax from 26 per cent to 24 per cent from April 2012 and the revaluation of deferred tax liabilities to 23 per cent following enactment of a further corporation tax reduction in the year (effective from April 2013).

Earnings per share

Diluted earnings per share before exceptional items were 39.0 pence (2011: 38.8 pence), an increase of 0.5 per cent reflecting the lower effective tax rate in the year. Basic earnings per share before exceptional items were 39.6 pence (2011: 39.5 pence). Earnings per share including exceptional items were 40.1 pence diluted (2011: 44.3 pence) and 40.7 pence basic (2011: 45.0 pence).

Dividends

The Board recommends a final dividend of 13.5 pence per share (2011: 13.5 pence). Together with the interim dividend of 6.0 pence (2011: 5.8 pence), paid in October 2012, this makes a total for the year of 19.5 pence (2011: 19.3 pence). This is an increase of 1.0 per cent, maintaining cover by diluted earnings per share before exceptional items of 2.0 times.

Subject to the approval of shareholders at the Annual General Meeting, the final dividend will be paid on 24 May 2013 to shareholders on the register on 26 April 2013.

Capital expenditure

We invested £46.9 million (2011: £59.1 million) in the business during 2012. This included 111 new 'own shop' openings and 118 shop refurbishments. Investment in our supply chain was modest during the year compared with that in 2011 when we completed the £21 million investment in our Newcastle and Penrith bakeries. Depreciation in the year was £32.8 million (2011: £30.7 million).

We plan capital expenditure of £55-65 million in 2013 dependent on timing of the construction of our £30 million frozen manufacturing facility in the East Midlands. The rate of new shop openings is expected to reduce to 50-60 net shops and we will invest in around 250 shop refurbishments in 2013, including the rollout of our "Greggs the Bakery" format.

Return on capital

We manage return on capital through our Investment Board, where all capital expenditure is subject to rigorous appraisal both before and after it is made. For new shops we target a return on invested capital of more than 20 per cent by the third year of operation, in recognition of the fact that we need to cover our longer term investment in the supply chain. Shop refurbishments are assessed to ensure that incremental sales generate sufficient contribution to give an appropriate return on the increase in capital invested.

Excluding this year's exceptional credit, we delivered an overall return on capital employed (ROCE) for 2012 of 21.7 per cent (2011: 24.4 per cent). Whilst new investment has performed well, the year on year reduction in ROCE reflects the lower overall operating profits in the core estate.

Cash flows and balance sheet

The Group remains highly cash generative, with £84.8 million EBITDA before exceptional items in 2012 (2011: £83.9 million). Our new wholesale and franchise business generates an additional working capital requirement and £7 million was invested in this way in the year. At the end of the year the Group had cash and cash equivalents of £19.4 million (2011: £19.5 million). In the coming months we will be putting in place financing facilities to support the development of our new frozen manufacturing operation. We anticipate using this facility over a three year period to support the further growth of the business.

Richard Hutton
Finance Director
20 March 2013

Key financial performance indicators

We use seven key financial performance indicators (KPIs) to monitor the performance of the Group against our strategy. These KPIs and how we performed against them are detailed below:

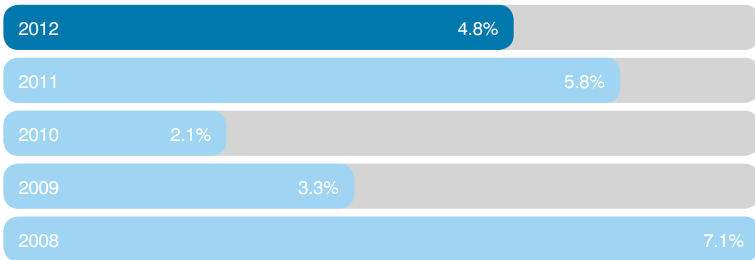
Total sales growth

The percentage year-on-year change in total sales for the Group, adjusted for the impact of a 53 week year in 2009.

In 2012 total sales grew by 4.8 per cent (2011: 5.8 per cent) to £735m (2011: £701m). Our success in wholesaling and franchising as well as a record number of new shop openings more than offset the reduction in like-for-like sales (see below).

2012:
4.8%

2011:
5.8%



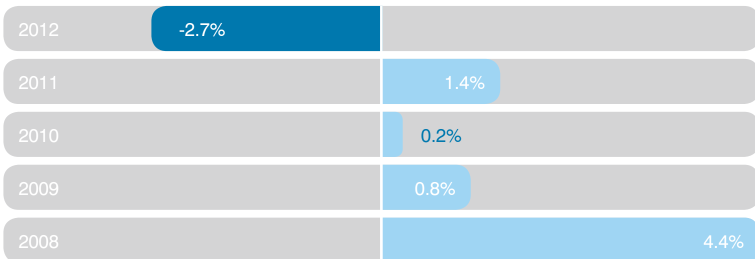
Like-for-like sales growth

Compares year-on-year cash sales in our 'core' shops, i.e. it is not distorted by shop openings and closures.

Like-for-like sales growth includes selling price inflation and VAT. Like-for-like sales fell by 2.7 per cent in 2012 (2011: increase of 1.4 per cent). This reflected continued customer constraint and the impact of extreme weather throughout the year.

2012:
-2.7%

2011:
+1.4%



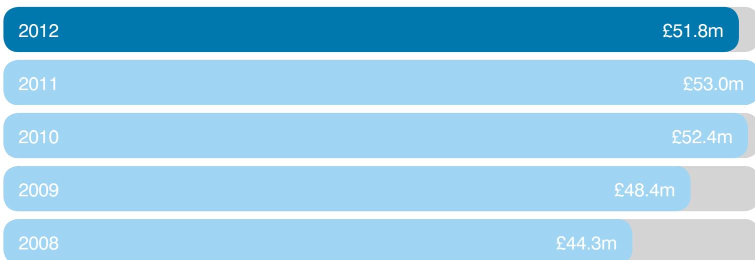
Adjusted operating profit (£m)

Reflects the performance of the Group before financing and taxation impacts and excludes exceptional items arising in the year.

Adjusted operating profit for the year decreased by 2.2 per cent to £51.8m (2011: £53.0m). This reflects the impact of reduced like-for-like sales, partially mitigated by strong cost control and the contribution from new shops and from increased wholesale and franchising activity.

2012:
£51.8m

2011:
£53.0m



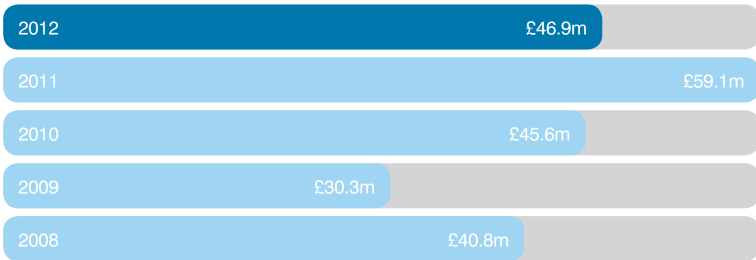
Capital expenditure (£m)

The total amount invested in the year in tangible fixed assets.

Capital expenditure in 2012 was £46.9m (2011: £59.1m). The 2011 expenditure included £16m in respect of new bakeries, there were no significant supply site projects in 2012.

2012:
£46.9m

2011:
£59.1m



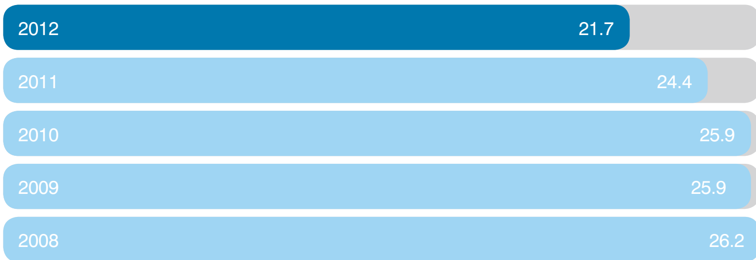
Return on capital employed

Calculated by dividing profit before tax before exceptional items by the average total assets less current liabilities for the year.

Whilst new investment has performed well the year-on-year reduction in ROCE reflects the lower overall operating profits in the core estate.

2012:
21.7%

2011:
24.4%



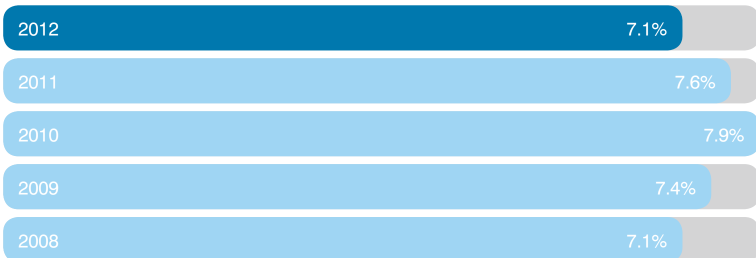
Operating margin

Shows the adjusted operating profit of the Group as a percentage of turnover.

Operating margin for the year has reduced slightly to 7.1 per cent (2011: 7.6 per cent). This reflects the impact of like-for-like sales decline which has been partially offset by strong cost control and the contribution of new shops, wholesaling and franchising.

2012:
7.1%

2011:
7.6%



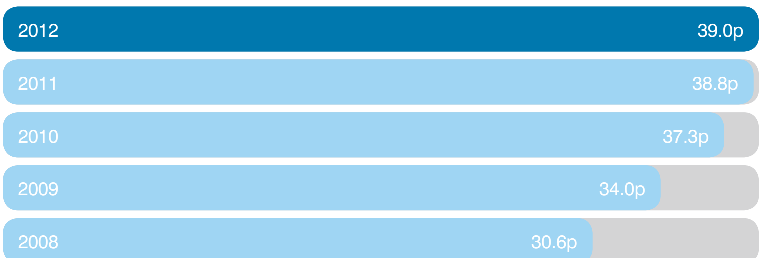
Adjusted diluted earnings per share (pence)

Calculated by dividing profit attributable to shareholders before exceptional items by the average number of dilutive potential outstanding shares.

Diluted earnings per share increased by 0.5 per cent to 39.0p (2011: 38.8p) supported by a reduction in the effective rate of corporation tax in the year.

2012:
39.0p

2011:
38.8p



Social responsibility overview

Our commitment to social responsibility is deep-rooted and we put people, communities and values at the heart of our business.

220

Breakfast Clubs open in 2012

We aim to operate in a socially and environmentally responsible way. We do this by putting people, communities and values at the heart of our business. This means:

- Developing our 20,000 people, ensuring we work together as a united team and share in the rewards for making Greggs a 'great place to work'.
- Giving our customers quality fresh bakery food at affordable prices.
- Operating bakeries and shops safely for both our people and customers.
- Minimising the impacts our operations have on the environment.
- Making a difference to the lives of people in our local communities, particularly those from disadvantaged groups.

How we manage social responsibility

Our commitment to social responsibility is deep-rooted. This can be traced back to the establishment of the Greggs Foundation in 1987 by Ian Gregg, and successive Chief Executives have continued to demonstrate this strong commitment to the role that the business should play in the community.

In 2008 we established a Steering Group to coordinate our social responsibility activities. Chaired by the Company Secretary, the Steering Group comprises the Social Responsibility Manager and five members of the Operating Board, including the Chief Executive. In considering the impacts our operations have on various stakeholders, the Steering Group identified four key areas of focus, each of which is championed by an Operating Board member.

Reducing our impact on the world around us

Our operations impact on the local and wider environment in various ways, from energy and water usage to waste and effluent disposal. As a growing business we have a duty to manage our resource needs and we have measured our direct carbon footprint for the past three years.

In 2010 we set a stretching aspiration to achieve a 25 per cent reduction in our carbon footprint, on a per shop basis, by 2015. We have continued to make reductions in our footprint despite introducing more shop equipment, extending trading hours/days and expanding our wholesale business. In 2012 we achieved a 3.5 per cent reduction, bringing our combined reduction against our 2010 base year to 8.9 per cent.

We are proud to have been officially certified with the Carbon Trust Standard, in recognition of our work on carbon efficiency and the good carbon management practices we have introduced into Greggs.

CARBON TRUST STANDARD
REDUCING CO2 YEAR ON YEAR

"We are delighted that Greggs has successfully achieved certification to the Carbon Trust Standard, demonstrating a real commitment to reducing its carbon impact from the start of the assessment period in 2010. By taking action to reduce the emissions from its stores, bakeries, and transport Greggs is taking its place amongst the carbon leaders on the high street, as well as setting an example for its employees, stakeholders and customers."
Tom Delay, Chief Executive, Carbon Trust

Going forward we will bring our carbon metric into line with benchmarking measures used by external organisations such as the Carbon Disclosure Project. Our carbon will now be measured in 'tonnes per £m turnover'. On this basis our historical performance remains broadly in line with the previous 'per shop measure'.

Making a difference to our local communities

Greggs has grown successfully through the continued support of our customers. As a successful business we believe we have a responsibility to help those who are less fortunate than ourselves and we have a long history of supporting our local communities.

We are proud that we continue to donate at least one per cent of our pre-tax profits (£650,000 in 2012) to the Greggs Foundation, enabling them to make grants of over £1.4 million to groups and individuals in need during 2012.

This donation to the Foundation forms an integral part of our community strategy and is complemented by our commitment to:

- *Children's Learning:* Our Breakfast Club programme now provides over two million free healthy breakfasts each year to disadvantaged children in 220 primary schools, providing 500 parents and carers with volunteering opportunities.
- *Disadvantaged People:* Our fundraising enabled us to donate £1 million to BBC Children in Need for the second year in a row, as well as raising an estimated £140,000 for the Royal British Legion's Poppy Appeal.
- *Diversity and Workplace Opportunities:* We made a £100,000 investment in youth employability work in partnership with the Princes Trust and Tomorrow's People. This was complemented by work on employability skills for disadvantaged groups, including the provision of 108 work placements and delivery of employability skills training for more than 130 individuals through Low Newton Prison, Northumbria Probation Service and Deerbolt Young Offenders Institution.

A great place to work

Our values are an integral part of our business – they define our ethos and culture and we feel they make Greggs different from other businesses. These values are incorporated into induction, training and communications at all levels of the Company and our people use them to guide business decisions on a daily basis.

This year we created over 750 new retail jobs, welcoming these people into the Greggs family. Our people are critical to the success of our business and key to making Greggs a 'great place to work'. We operate profit share, share save and share incentive schemes to ensure they are valued and rewarded for their hard work, and in 2012 £5.8 million in profit share was distributed to eligible employees.

We also operate a 'give as you earn' payroll scheme and a volunteering programme to allow our people to personally put something back into their local communities. We are proud that a total of 460 volunteering days were donated by our people in 2012.

Our annual Employee Opinion Survey gives all our people the opportunity to provide feedback. We achieved a similar engagement score in 2012 to the previous year, a good performance given the difficult trading year and it is a solid platform on which to improve in 2013. It is really important that our people believe they have the opportunity to contribute their views on issues that affect them and we are pleased to have moved forward in this area in 2012. Our next survey is planned for quarter four in 2014.

We are committed to providing a safe environment for our people and customers. We are disappointed that we did not achieve our target to reduce reportable accidents and our focus on reduction will continue in 2013, but we are pleased that we doubled the number of retail units achieving our top health and safety rating.

Quality, fresh bakery food our customers can trust

As bakers, retailers and wholesalers, trust in our food is vital to our success. Customers are becoming more aware of health issues and we provide in-store and web nutritional information for our national lines. Nutritional information for our local lines will be published in 2013, along with the continued roll-out of calorie information at point of purchase. We have also launched healthier options into shops to help customers choose a more balanced diet.

We have undertaken work on reducing the salt and fat content in our own produced products. Recipe development for our savoury range has seen the salt and fat content of the pastry reduce by 50 per cent and 15 per cent respectively. Our sandwich range has also undergone recipe development with oil in mayonnaise reducing from 50 per cent to 40 per cent, and we are working towards achieving a 0.3g salt reduction per sandwich.

Customers are also taking a greater interest in sustainability and food provenance and the credentials of our food are becoming increasingly important. As a vertically integrated business, producing our own food for sale in our own shops, we know exactly what ingredients go into our food and where these ingredients are sourced from.

We have removed the last artificial flavour from our food and we are proud that all our own manufactured products are free from added artificial colours and flavours, hydrogenated vegetable oils, added trans fats and genetically modified ingredients. Our Ethical Sourcing Policy also ensures that our purchasing decisions are made as sustainably, ethically and responsibly as possible.

The following pages summarise our social responsibility performance in 2012 and present our targets and objectives for 2013.

Social responsibility targets: 2012 & 2013

Key Achievements

- 5% increase in the proportion of waste we divert from landfill (we now divert 80% of our waste to recycling routes).
- Reducing carbon 'per shop' in our Supply Chain operations by 7.4%.

2012 Reducing our impact on the world around us 2012

✗ We will continue to target a 25% reduction in our carbon footprint by 2015 (measured in tonnes of CO_2e per shop), building on our 5.6% reduction in 2011.

Achieve a reduction in total energy usage (measured in tonnes of CO_2e per shop) of:

- ✓ 3% in Bakeries.
- ✗ 1.5% in Shops.

✓ We will divert an additional 5% of waste from landfill in 2012, building on the 75% of waste currently diverted in 2011.

✓ Achieve an additional 1.5% reduction in carbon generated by our distribution activity (measured in tonnes of CO_2e per shop per KM) as part of a 3 year 6% reduction target.

✓ We will support the Rivers Trusts in Wales through the donation of the revenues raised from the Welsh Carrier Bag charge.

2013 Reducing our impact on the world around us 2013

Increase the proportion of waste we recycle from our production sites to 90%.

Deliver a 1.5% improvement in our distribution fuel efficiency, measured on a 'miles per gallon' basis.

Increase the proportion of Certified Sustainable Palm Oil we use to 65% in 2013, working towards our target of 100% by 2015.

We will continue to target a 25% reduction in our carbon footprint by 2015 (measured in tonnes of CO_2e per £m turnover), focusing on reducing energy usage (measured in tonnes of CO_2e per £m turnover) by:

- 3% in Bakeries.
- 3% in Shops.

Key Achievements

- 46 of our 220 Breakfast Clubs are now in partnership with other companies.
- We have raised over £4 million for BBC Children in Need in the last five years.

2012 Making a difference to our communities 2012

✓ Extend the Greggs Breakfast Club scheme to a total number of 220 clubs.

✓ Donate at least 1% of profits to the grant-making and Breakfast Club programmes of Greggs Foundation and encourage our people to do even more for our local communities.

✓ Hold our third national fundraising fortnight for Greggs Foundation in 2012 with the aim of raising £100,000 to support good causes.

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

✓ Deliver a Multi-Sports programme into 10 to 20 primary schools to promote healthy exercise.

✗ Support the 30th North East Children's Cancer Run to help raise £300K in 2012.

✓ Continue our work on initiatives to help break the cycle of unemployment amongst the young and those in marginalised groups in our communities by:

- Increasing our investment by £100,000.
- Providing more than 100 placements in 2012.
- Providing training and mentoring to prepare people for the world of work.

2013 Making a difference to our communities 2013

Extend the Greggs Breakfast Club partnership scheme to fund a total number of 300 clubs by the end of 2014.

Aim to raise a million pounds for the BBC Children in Need appeal for the third successive year.

Support the BITC Business Connectors scheme, seconding a leader from each of our 7 regions to 'broker' strategic partnerships for the benefit of communities.

Utilise the skills of our people to promote the employability of young people and those from marginalised groups, working with other businesses to help over 250 individuals.

Key Achievements

- 53% of our graded managers volunteered a working day in 2012 to support their local community.

2012 Great place to work 2012

✓ We will aim to create over 750 new retail jobs through our new shop opening programme.

✓ We will continue to share 10% of our profits with our people.

✗ In our Employee Opinion Survey our engagement score will improve to 78%.

We will focus on communication to and from our people and our targets will be:

✓ More than 65% of our People feel they have the opportunity to contribute their views on issues that affect them.

✗ More than 65% of our Supply teams feel that their line Manager/Supervisor shares important knowledge and information with them.

We will improve our health and safety performance through:

✗ Reducing our accidents by a further 5% from our Accident Incident Rate of 2011.

✓ Increase by 50% the number of retail units achieving our top health and safety rating.

✓ To enhance the skills of our people and benefit our communities we will encourage a minimum of 50% of our 650 graded managers to commit to using 1 working day to volunteer their skills and expertise in 2012 to support a local community-based or environmental project.

Improve the diversity of our people by:

✓ • Ensuring that we recruit from a wide pool of talent that is reflective of our local community around main office locations in the North East of England.

✓ • Delivering a road-show highlighting our development programmes, career progression and role models to encourage more females to progress into senior roles throughout Greggs.

2013 — Great place to work 2013

We will ensure 80% of our management population attend an appropriate development event.

We will improve our health and safety performance by reducing our accidents by 10% (against our 2012 incident rates) within both Retail and Supply Chain.

We will commit to donating over 500 volunteering days as part of our Graded Manager Volunteering Programme to support local charities and communities.

We will continue to deliver development and career progression road-shows across all our regions, inspiring our female managers to go forward for senior management opportunities as they arise.

2012 — Quality, fresh bakery food our customers can trust 2012

Keep 'up to date' nutritional information available for customers on:

✓ a) Our evolving National Range.

✗ b) Our key local lines.

Continue to reduce salt content, working towards the FSA/DoH 2012 targets, without compromising the great taste and quality of our food, with particular emphasis on:

✓ a) Savouries.

✓ b) Sandwiches.

Continue to reduce fat content through recipe improvement without compromising the great taste and quality of our food, with particular emphasis on:

✓ a) Savouries.

✓ b) Sandwiches.

✓ Remove the last artificial flavours from our Savoury range without compromising their great taste and quality.

✓ Undertake and evaluate a significant trial to display calorie information on shelf edge ticketing for the entire range.

Key Achievements

- All the food we produce ourselves is free from added artificial colours and flavours, hydrogenated vegetable oils, trans fats and genetically modified ingredients.

2013 — Quality, fresh bakery food our customers can trust 2013

Publish nutritional information for customers on all local lines to complement existing information available on national lines.

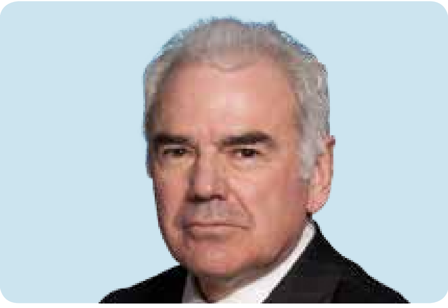
Continue to reduce salt content in bread, ensuring every Greggs bread product falls in line with the FSA/DoH 2012 target of 1g of salt per 100g of finished product.

Continue work on our Savoury range, reducing fat, salt and calories by 10% without compromising the great taste and quality of our food.

Increase the proportion of sales from products containing less than 400 calories by 20%.

Board of Directors

The Board currently comprises the Chairman, three Executive and four Non-Executive Directors. Bob Bennett retired from the Board on 16 May 2012. Allison Kirkby was appointed as an Independent Non-Executive Director on 30 January 2013. On 4 February 2013, Roger Whiteside was appointed as Chief Executive, and the previous Chief Executive, Kennedy McMeikan left the Board and the Company on 8 March 2013. There were no other changes to the Board during the period.



Derek Netherton
Chairman, 68
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 was appointed to the Board on 1 March 2002 and was appointed Chairman in August of the same year. Derek is Chairman of Opera North, and a non-executive director of three companies in the Canada Life group. There have been no significant changes to the Chairman's other commitments during 2012. Derek is Chairman of the Nominations Committee.

Roger Whiteside
Chief Executive, 54
Roger began his career at Marks & Spencer where he spent 20 years ultimately becoming head of its food business. He was then one of the founding team of Ocado serving as Joint MD from 2000 to 2004. From 2004 to 2007 he led a successful turnaround as Chief Executive of the Thresher Group off-licence chain before joining Punch Taverns ultimately becoming Chief Executive.

Richard Hutton, FCA
Finance Director, 44
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. Richard is a trustee of the Greggs Foundation, and chairs Business in the Community's Regional Advisory Board.

Raymond Reynolds
Retail Director, 53
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.

Julie Baddeley
Non-Executive Director and Senior Independent Director, 61
Was appointed to the Board in March 2005. She has held senior executive roles in Woolwich plc, where she was responsible for Information Technology and Human Resources, Accenture and Sema Consulting. Julie is a non-executive director and Chairman elect of Harvey Nash plc and Chairman of Sustain Limited, the environmental consulting group. Julie is also a non-executive director of Chrysalis VCT plc. Julie is a member of the Remuneration, Nominations and Audit Committees.

Iain Ferguson, CBE
Non-Executive Director, 56
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 executive positions. He is currently Chairman of Berendson plc, and a non-executive director of Balfour Beatty plc, Honorary Vice President of the British Nutrition Foundation and lead Non-Executive Director of the DEFRA Management Committee. Iain is Chairman of the Remuneration Committee, and is also a member of the Nominations and Audit Committees.

Ian Durant, FCA, FCT
Non-Executive Director, 54

Joined the Board on 5 October 2011. Ian's background is in international financial and commercial management, and he has experience of the retail, property, hotels and transport sectors. Ian's career includes leadership roles with the retail division of Hanson and Jardine Matheson, Hongkong Land, Dairy Farm International, Thistle Hotels, SeaContainers and as Finance Director at Liberty International. Ian is currently Chairman of Capital and Counties Properties PLC and a non-executive director of Greene King plc and Home Retail Group PLC. Ian was appointed Chairman of the Audit Committee on 1 January 2012 and he also sits on the Nominations and Remuneration Committees. Ian will become Chairman of the Company on 15 May 2013 following the AGM.

Allison Kirkby, FCMA
Non-Executive Director, 45

Joined the Board on 30 January 2013. Allison is currently Chief Financial Officer of Shine Group, the global media production company. Allison's previous experience includes being Virgin Media's Executive Director of Finance Operations and Transformation, and before that spent two decades with Procter & Gamble in a variety of senior financial and operational roles. Allison is also a trustee and Chair of the Finance Committee of In Kind Direct, one of The Prince's Charities. Allison will assume the Chair of the Audit Committee on 15 May 2013 following the AGM.

Jonathan Jowett
Company Secretary, 50

Joined the Company in April 2010 and was appointed as Company Secretary on 12 May 2010. He is a solicitor by profession, and has held the position of Company Secretary in a number of FTSE 250 and FTSE Smallcap companies. His previous employers include Avon Cosmetics Limited, SSL International plc, Wagon plc and Bakkavor Group. Jonathan is Secretary to the Board and each of its committees.

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 1 January 2012 and 29 December 2012 (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 37 to 51.

In accordance with provision B.7.1 of the Governance Code, all Directors will retire from the Board at the AGM and offer themselves for election (in the case of Allison Kirkby) or re-election by shareholders.

The Nominations Committee has considered the appropriateness and suitability of each Director standing for election and has recommended to the Board that each individual should be put forward for election or re-election.

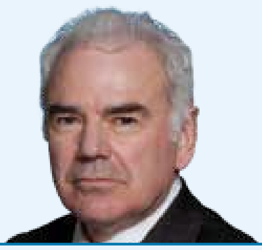
Directors' indemnities and conflicts

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 they have 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.

Governance

"The following pages set out the Board's report on its compliance with the UK Corporate Governance Code ('the Governance Code'). I can report that the Board considers that it has complied, throughout the year under review, with the principles of governance set out in the Governance Code."



Derek Netherton
Chairman

London Stock Exchange LISTED PREMIUM

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 following statements, together with the Directors' Remuneration Report on pages 37 to 51, describe how the relevant principles and provisions of the Governance Code were applied to the Company in 2012 and will be relevant to the Company for the 2013 financial year.

The Board

Effectiveness

The Nominations Committee under the leadership of the Chairman has considered the blend of skills and experience that the Directors bring to the Board. This includes independent and objective experience of food retailing, consumer goods manufacturing, finance, property, human resource management and corporate finance to complement the existing skills and experience of the Executive Directors.

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, the Non-Executive Directors ensure that the strategies proposed by the Executive Directors are fully discussed and critically examined prior to adoption.

During 2012, the scheduled Board and Committee meetings and the number of meetings attended by each Director were as follows:

	Main Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held	7	4	4	6
Derek Netherton	7	–	4	6
Kennedy McMeikan	7	–	–	–
Richard Hutton	7	–	–	–
Raymond Reynolds	6	–	–	–
Julie Baddeley	7	4	4	6
Bob Bennett*	3	2	2	2
Ian Durant	7	4	4	5
Iain Ferguson	6	4	4	4
Roger Whiteside	7	4	4	5

*Based on meetings until resigning from the Board on 16 May 2012.

In addition, the Non-Executive Directors meet formally twice 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 in accordance with a specific Schedule of Matters Reserved, 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 proud of its reputation for bringing the Company's best talent through the organisation and encouraging people to succeed regardless of gender, race or any other characteristic. As a result three out of seven of the most senior retail managers are women, as are three out of ten bakery managers. The Board believes it is in the best interests of the Company to continue to bring women through to the very top levels of the organisation and as a result of this belief, a new programme was launched during the year to encourage more women to strive for the most senior positions in the business.

At the date of this report, the Board has eight directors of whom two are female.

The Board is firmly of the view that it is in the interests of the Company and the communities in which it operates that it recruits and develops the very best people from the widest possible pool of talent.

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.

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 annually without the Chairman present to appraise the Chairman's performance. There is also generally at least one meeting held each year between the Non-Executive Directors and the Chief Executive.

On 4 February 2013, Roger Whiteside became Chief Executive. Otherwise, after carefully reviewing the guidance in the Governance 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.

Election and re-election of Directors

The Company's articles of association require that all Directors must retire and seek election at the first AGM following appointment. Accordingly, Allison Kirkby will resign as a Director and offer herself for election at the AGM to be held on 15 May 2013. Furthermore, the Board has resolved that, in line with Governance Code provision B.7.1, all of the Directors will be subject to annual re-election by shareholders.

Evaluation

The performance of the Board, its Committees and of all Directors is evaluated annually by a formal and rigorous process. For the review relating to 2012, each Director independently rated the Board's and its Committees' performance against the objectives set at the beginning of the year. The Directors also provided comments on what they thought had gone well, and areas for improvement. These comments were put into a 'key themes' document and debated at a subsequent Board meeting. 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 ensuing year.

The Board has not yet conducted an externally-facilitated evaluation, and, in accordance with the Governance Code as revised in September 2012 would be required to do so in relation to the evaluation in 2013. However, the Board is of the view that given the various role changes that have taken place in recent months and the impending change of Chairman and Audit Committee Chairman, it would prefer to defer an externally-facilitated evaluation to 2014.

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 and is in attendance at each of these committees, and each of the committees is provided with sufficient resources to undertake its duties.

'The Audit Committee' currently consists of four independent Non-Executive Directors: Ian Durant, (Chairman), Julie Baddeley, Iain Ferguson, and Allison Kirkby. The Committee met four times in the year, and a fuller report on its activities is set out on pages 29 to 31.

Governance (continued)

'The Remuneration Committee' currently consists of four independent Non-Executive Directors: Iain Ferguson (Chairman), Julie Baddeley, Ian Durant and Allison Kirkby. The Committee's main duties (which it discharged during the year) are set out within the Directors' Remuneration Report which is set out on pages 37 to 51 of this Annual Report. 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, after discussion with the Chairman, sets the fees for the Non-Executive Directors so as to ensure that no Director is involved in setting his or her own remuneration.

'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 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.

During the year the Committee oversaw the appointment of Ian Durant as Chairman elect, who will assume the role after the AGM on 15 May 2013. As a consequence, the Committee conducted a search for a replacement independent Non-Executive Director, ultimately to replace Ian as Chair of the Audit Committee, and the Board appointed Allison Kirkby as an independent Non-Executive Director on 30 January 2013. Allison will assume the Chair of the Audit Committee following the AGM on 15 May 2013.

More recently, and following the resignation by Ken McMeikan as Chief Executive, the Committee conducted a process which saw Roger Whiteside appointed by the Board as Chief Executive on 4 February 2013. Throughout its activities, the Committee was supported by the Zygos Partnership.

Following appointment, new Directors are subject to an in-depth tailored induction process. In the case of Non-Executive Directors, this includes meeting with members of the Operating Board, visiting bakeries, shops and offices, and being provided with an extensive Board Handbook which contains key information and policies that are relevant to the position. In the induction process tailored for Allison Kirkby, this included meeting with the external auditor, as well as other senior members of KPMG Audit Plc who are not otherwise engaged on the audit work for the Company. For new Executive Directors, and Non-Executive Directors for whom the appointment is their first to a UK listed company, the induction includes details of the legal duties and obligations of being a Director.

Risk management

Details of the Company's principal risks and the management of these are given on pages 32 to 36.

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.

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 Chief Executive and the Finance Director carry out extensive engagement with institutional shareholders and market analysts, either meeting them as part of company presentations and briefings, individual meetings, or on telephone calls. 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 AGM is well attended, 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. 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.

The Senior Independent Director is available to shareholders if they have concerns which they have not been able to resolve through the normal channels of the Chairman, Chief Executive or Finance Director, or for circumstances where such contact would not be appropriate.

Substantial shareholdings

At 20 March 2013 the only notified holdings of substantial voting rights in respect of the issued share capital of the Company (which may have altered since the date of such notification, without any requirement for the Company to have been informed) were:

	Number of shares held	Percentage of issued share capital
Troy Asset Management	5,220,667	5.16%
Templeton Investment Counsel LLC	5,059,689	5.0%
NorgesBank	3,102,084	3.07%

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, Chief Executive's report and the Financial Review which supplement the statutory accounts themselves. A statement of Directors' responsibilities in respect of the preparation of accounts is given on page 52. A statement of auditor's responsibilities is given in the report of the auditor on page 53.

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 59).

Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

ADDITIONAL INFORMATION

Fixed assets

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

Authority to purchase shares

At the AGM on 16 May 2012, the shareholders passed a resolution authorising the purchase by the Company of its own shares to a maximum of ▪ ordinary shares of 2p each.

That authority had not been used as at 29 December 2012.

The authority remains in force until the conclusion of the AGM in 2013 or 15 August 2013, whichever is the earlier. It is the Board's intention to seek approval at the 2013 AGM for the renewal of this authority.

Takeover Directive 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 20 March 2013, there were 101,155,901 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.

Governance (continued)

- 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 27.
- 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 must retire from office but is eligible for re-election by the shareholders. Furthermore, the Board has resolved that, in line with Governance Code provision B.7.1, all of the Directors will be subject to annual re-election by 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 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 buyback 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 37 to 51. 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, attempts are made 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 2012 was 37 days (2011: 41 days).

Disabled employees

Applications for employment of disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment within the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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.

By order of the Board

Jonathan D Jowett
Company Secretary
Greggs plc (CRN 502851)
Fernwood House
Clayton Road
Jesmond
Newcastle upon Tyne
NE2 1TL
20 March 2013

Greggs plc
Audit Committee report

"I am delighted to welcome Allison Kirkby as a member of the Audit Committee. Allison will assume the Chairmanship of the Committee following the AGM on 15 May 2013."

Ian Durant

Members:
Ian Durant, Julie Baddeley, Iain Ferguson, Allison Kirkby

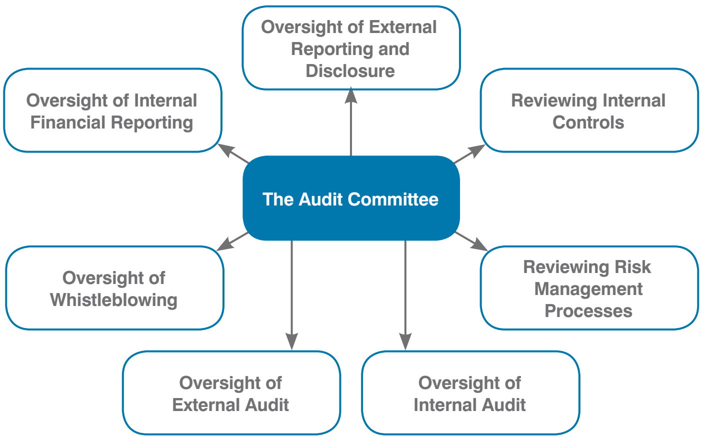
Committee Composition
It is the practice of the Company for all Independent Non-Executive Directors to serve as members of the Audit Committee. Accordingly, Allison Kirkby joined the Committee on 30 January 2013 and Roger Whiteside, upon his appointment as Chief Executive stepped down from the Committee on 3 February 2013. Ian Durant was formerly finance director of Liberty International and Allison Kirkby is currently Chief Financial Officer of Shine Group. The Board considers that Ian and Allison have recent and relevant financial experience and is confident that the collective experience of the members enables them to act effectively as an Audit Committee.

The Terms of Reference of the Committee can be accessed at www.greggs.co.uk.

Responsibilities and Activities in 2012
The Audit Committee met four times in 2012, and its activities are set out below.

The Audit Committee has responsibility for:

- ensuring that the accounting and financial policies of the Company are proper and effective;
- assisting the Board in fulfilling its oversight responsibilities by monitoring the integrity of the accounts and information published by the Company and reviewing significant financial judgements contained in them;
- reviewing the internal financial controls and the Group's approach to risk management;
- oversight of whistle-blowing arrangements;
- monitoring compliance with the Listing Rules and the recommendations of the Governance Code;
- oversight of the Company's external and internal auditors and reviewing the effectiveness and objectivity of the audit process; and
- reporting to the Board on how it has discharged its responsibilities.



Greggs plc
Audit Committee report (continued)

In addition to regular reports from the Finance Director, matters considered by the Audit Committee each year include:

- adequacy and integrity of the Preliminary Results, Interim Results and Annual Report;
- monitoring compliance with Financial Reporting Standards and evolving best practice;
- accounting treatment of matters requiring the use of judgement and estimates;
- assessment of the Going Concern basis of accounting;
- regulatory and governance developments;
- taxation compliance;
- risk management process review;
- financial control environment;
- Internal Audit plan and reports;
- whistle-blowing events;
- external audit plan;
- external auditor performance;
- reappointment of external auditors and representation letters;
- review of Audit Committee and Internal Audit effectiveness; and
- noting of dormant subsidiary accounts.

During 2012 the Audit Committee also considered:

- whether the Committee's terms of reference are up to date and relevant;
- the Audit Quality Review Team's report on KPMG Audit Plc's audit of Greggs plc;
- auto-enrolment implementation and contingency plans;
- the potential impact of the requirement by the UK Financial Reporting Council ("the FRC") and the European Commission ("the Commission") to mandatorily retender audit services (see below);
- pensions accounting;
- improving the internal documentation and disclosure for the Going Concern analysis;
- enhancing the internal documentation of asset impairment decisions; and
- reviewing the organisation and scope and resources of Internal Audit.

The Committee normally invites the Company Chairman, the Executive Directors, the Internal Audit Manager, and the external auditors to attend its meetings. Time is set aside bi-annually for discussion with the external auditors and with the Internal Audit Manager, in each case in the absence of all Executive Directors. The Committee also has access to the Company's management team and to its auditors and can seek further professional advice, at the Company's cost, if required. The Chairman has regular contact with the Finance Director, and internal and external auditors, in addition to scheduled Committee meetings to ensure that emerging issues are addressed. He also has access to and, in 2012, met with an audit partner independent of the partner responsible for the audit.

UK Corporate Governance Code

As noted above the FRC has published changes to the UK Corporate Governance Code and its Guidance for Audit Committees. The changes take effect for financial years commencing on or after 1 October 2012, and although the Company is not required to adopt the changes for the period covered by this report the Audit Committee has given consideration to changes that may be required. These include the retender of the external audit within every ten years.

Retendering the External Audit

The Committee currently intends to retender the audit during the financial year ending 27 December 2014. KPMG has been the Company's auditor at least since the Company was floated on the London Stock Exchange in 1984 and in that time there has not been a tender. The Committee has chosen not to undertake this exercise in 2013 because of changes to the Board, including a change of Chairman, Chief Executive and Chairman of the Audit Committee. Allison Kirkby is to take over the Chair of the Audit Committee following the Annual General Meeting on 15 May 2013 and the Committee believes it would be better to allow the new Audit Committee Chair to become established in advance of a formal tender process.

Internal Control

The Committee reviewed the Company's internal control environment to satisfy itself that procedures are in place to ensure that assets are well protected, authority levels for expenditure are clear, segregation of duties exists and performance is regularly monitored. Processes are in place to ensure that key controls are being operated and compliance with these processes is the subject of inspection by the Internal Audit team and review by the Audit Committee.

Whistle-blowing

There were three whistle-blowing notifications during the year. The Chairman of the Audit Committee was notified directly by email, phone and letter. In each case a judgement was made and the issues were investigated with an appropriate level of discretion by senior management and with the involvement of Internal Audit. Action was taken in all three cases and the outcome reported to the Board/Audit Committee.

Risk Management Process

The Audit Committee undertakes a review of the risk management process in the Group at least annually. This process is detailed on page 36, and it was reviewed by the Committee to determine the appropriateness of the process in light of the risks identified.

Audit Committee Effectiveness

Each year the Committee reviews critically its own performance and considers where improvements can be made.

Internal Audit

The work of the Internal Audit Function is set out in more detail within the Principal Risks and Uncertainties section on pages 32 to 36 of this Annual Report. There are three members of the team, including the Internal Audit Manager. The Audit Committee approves the annual plan for the team and monitors progress against that plan. The effectiveness of the Internal Audit team and its level of resource is reviewed by the Committee at least annually.

External auditors

The Committee also considered and made recommendations to the Board in relation to the independence and objectivity of the external auditor (including the impact of any non-audit work undertaken by it) and its suitability for re-appointment. The Committee has reviewed the report by the Audit Quality Review Team on the performance of KPMG Audit Plc in its conducting of the audit of the Company.

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 concluded that the audit was effective and that the relationship and effectiveness of the external auditor be kept under review.

The Company has a formal policy to ensure that the provision of non-audit services by external auditors for non-audit work does not compromise the auditor's independence or objectivity. Consequently all use of the external auditor 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 such non-audit fees are significant relative to the audit fee an explanation would be provided in the subsequent Audit Committee Report. 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 reviewed whether, and is satisfied that, the Company's auditor, KPMG Audit Plc, continues 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 2012, non-audit fees paid to KPMG Audit Plc and related KPMG operations amounted to £92,000 (which is 61 per cent of the audit fee for the year) and principally related to taxation compliance services and pension scheme audits. As noted above it is the Audit Committee's intention to conduct a formal tender for external audit services in 2014.

Reappointment of auditors

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

Ian Durant
Chairman of the Audit Committee
20 March 2013

Principal risks and uncertainties

The Company's internal system of control covers all aspects of the business and reviewing the effectiveness of this system is ultimately the responsibility of the Board of Directors. 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 current principal risks and uncertainties for our business are as follows:

Market and Economic Risks

Risks and their impact	Mitigating actions and controls
Economic uncertainty The risk relates to the effect of continued economic uncertainty in the UK and beyond and austerity measures taken by the Government on consumer confidence and consumer spend. This could have a detrimental effect on the Company's revenues. Status: Unchanged	We are committed to maintaining the value of our offer and are working to find the most effective ways to communicate this to customers. Activity also includes refitting shops to ensure they offer a retail environment of choice for customers, finding new locations to serve more customers and developing our range of products to meet consumer demands.
Decline in high street footfall Social trends and the current economic environment have resulted in the continued decline of some high streets across the United Kingdom, as consumers favour alternatives, e.g. out of town centres and the internet. Status: Increasing	We continue to diversify our estate with the majority of new shop openings located in areas away from high streets, e.g. out of town centres, where people work and where they travel to work.
Consumer tastes and trends Customer tastes and trends are constantly changing and popular opinion is influenced by factors such as government announcements and campaigns aimed at reducing obesity and improving the health of the nation as well as scientific research. The Company could lose market share if our products do not keep up with these tastes and trends with regards to healthy eating, etc. Status: Unchanged	We conduct regular research into consumer tastes and develop our product range to meet current trends. We also monitor changes in and the performance of our competitors. We recognise the link between a balanced diet and a healthy lifestyle and therefore provide nutritional information at point of sale, on packaging and on our website to allow customers to make an informed choice.
Sales and margins This risk factor considers the possible impact of pricing and promotional activity upon sales and margins whether that be having a detrimental effect or failing to deliver the benefits expected. The Company must be able to react to customer trends and economic conditions effectively. Status: Increasing	Pricing and promotional activities are continually monitored to assess effectiveness and to ensure investment delivers the desired return. The Company remains flexible in terms of ability to adjust prices and promotions to ensure we retain both market share and profitability.

Operational Risks

Risks and their impact	Mitigating actions and controls
Product quality and safety The Company produces and sells a wide range of products. If these are not of consistent high standard, or contain out of date ingredients, the Company could be exposed to significant food safety issues. This could have a detrimental impact on consumer confidence and our revenue. Status: Unchanged	We have in place detailed procedures regarding product quality and safety and these are subject to regular audits. Furthermore, new facilities help maintain high quality standards.
Disruption to production A major incident leads to the loss of a key production facility, potentially leading to a significant loss of capacity and disruption of supply to our shops with a resultant impact on revenue. Status: Unchanged	We have detailed disaster recovery and business continuity plans which include potential alternative sources of supply. These measures are regularly tested and revised to ensure they are ‘fit for purpose’. A fire in a control panel at our Balliol savoury production facility in September 2012 caused a temporary cessation of production. We were able to deploy our contingency plan to minimise disruption to production.
Food scare A major food scare beyond the control of the Company could result in a disruption in ingredient supply or a general consumer boycott of some products. Status: Increasing	We make the majority of the products we sell ourselves and take care to validate the integrity of the ingredients that we use. We continue to monitor national and worldwide developments in food provenance. We also have close dialogue with Government, other UK agencies and relevant stakeholders.
Disruption to external supply chain Being dependent upon key suppliers could lead to a situation where we are unable to maintain production. Status: Unchanged	We either have several sources of supply or a documented and tested alternative supply strategy for our key raw materials.
Reputation Risk of damage to the Company’s brand and reputation as a result of not meeting high production, safety, social, environmental and ethical standards throughout all operations. The Company must be able to respond quickly and effectively to any issues and adverse publicity/perceptions regarding the above. Status: Unchanged	Our Operating Board, Risk Committee and Social Responsibility Steering Group regularly review and monitor our operations, identifying potentially brand-damaging risks and developing mitigation plans. All of our products are subjected to rigorous quality checks and audit. Incidents can be responded to in an appropriate and timely manner using the Crisis Management process that is in place and we retain public relations consultants to advise and assist with any issues being debated in the public arena.

Principal risks and uncertainties (continued)

Operational Risks continued

Risks and their impact	Mitigating actions and controls
New channels to market – franchising The Company has embarked upon a franchise model to allow third parties to set up Greggs shops on their premises. This exposes Greggs to potential damage to our brand in a small but growing proportion of shops if they fail to meet our standards with regards to hygiene, customer service, product quality, etc. Status: Unchanged	Entering into franchising agreements allows us to reach both new and existing customers in an increasing number of locations. Comprehensive support is provided to the franchisee as well as regular audits to ensure brand standards continue to be maintained. Exposure to franchising is also limited to an agreed proportion of the Company's turnover.
New channels to market – wholesaling We are now supplying a frozen food retailer with Greggs branded savouries, thus exposing the Company to the potential risk of cannibalising sales of savouries in our retail estate. Status: Unchanged	The impact of wholesaling frozen savouries upon the sale of savouries in our own shops is constantly monitored with an acceptable level defined. Any cannibalisation is relatively small and well within the predetermined limits.
IT and change management The operational risks of increasing investment in, and reliance upon, the information technology supporting processes and systems. Whether that be the cost and disruption caused by a systems failure or an investment not delivering the improvements or return on investment expected. Additionally a number of our business processes and systems will require investment in the near future in order to improve the service to our increasingly centralised business model. Status: Increasing	Safeguards and contingencies are in place to support IT systems and there is continued re-investment in updating the Company's technology. The effectiveness of new systems is monitored using a range of techniques to assess the return on investment. A full review and assessment of current business processes and systems suitability is being undertaken to ensure that they meet the developing needs of the business.

Regulatory Risks

Risks and their impact	Mitigating actions and controls
Health and safety A health and safety accident or incident could lead to serious illness, injury or even loss of life for one or more of the Company's employees or customers. Status: Unchanged	The Company has functioning health and safety policies and procedures throughout the business. The operation of these is subject to regular internal and external audit.
Legal Greggs could be exposed to adverse regulatory risk including tax, environmental, planning, employment and food safety laws which could increase the cost base and reduce flexibility. Status: Unchanged	The Company takes advice where it is considered appropriate and monitors new legislative developments through our membership of the CBI, British Retail Consortium and others, such that we can plan to give effect to new laws as and when they are adopted.

Data protection Information is increasingly gathered through customer loyalty schemes, card transactions and more involvement with customers through digital means, e.g. social media, resulting in an increased risk regarding data protection. Status: Increasing	Only relevant customer information is held and for no longer than is necessary. Furthermore customers are made aware of what data we gather. Formal and documented policies and procedures are in place regarding the handling of card payment data, ensuring compliance with PCI standards in order to meet annual PCI assessment. Also, we continue to refine an IT information security strategy.

Financial risks

Risks and their impact	Mitigating actions and controls
Liquidity The Company is reliant on our cash sales to meet short-term payment requirements as we operate with net current liabilities. Status: Unchanged	If a significant business interruption should occur we would draw on cash and borrowing facilities to meet working capital requirements. This would include deferring capital expenditure in order to maximise cash flow.
Ability to finance growth plan The Company may not be able to generate sufficient financial resources to enable it to implement fully its growth plans. Status: Unchanged	The Company finances most of its capital expenditure using cash generated by its commercial operations and has no debt currently. The Company plans to put in place limited further financing facilities to ensure that it can finance its growth plan.
Defined Benefit Pension Scheme The Company has a potential liability under this scheme. The funding level of the scheme is sensitive to the risk of changes in key assumptions such as life expectancy, price inflation and asset returns. Changes in these assumptions could lead to volatility in the liability (or surplus) recognised on the balance sheet. Status: Unchanged	The scheme is closed to new members and to future accrual of benefits. We continue to work closely with the Trustee of the scheme to manage long-term funding requirements.
Price inflation Significant changes in the cost of raw materials, wages overheads and utilities could have an adverse effect upon the margins and /or customer value, impacting the Company's financial performance. Status: Unchanged	To mitigate this risk, agreements with suppliers fix the price of key input costs in the short, medium and long term where appropriate. This reduces volatility and allows the Company to plan for costs with greater certainty. Pricing strategies for our products also allow for adjustment based on external costs. Furthermore, investment in new plants and processes increases efficiencies thereby reducing costs.

Principal risks and uncertainties (continued)

Risk Management

The risks to which the Company is exposed are regularly reviewed as well as the operation and effectiveness of the systems of internal control. This process is on-going and 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 2012 and up to the date of approval of this annual report and accounts, are:

Board of Directors

The Board views risk management as a vital constituent of its role and takes a proactive approach to the management of all forms of risk. 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 our objectives) are monitored and reviewed and consideration is given as to whether any new material risks have emerged. Furthermore 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. Management delivers reports to the Board on significant changes in the business and external environment which might affect the risk profile. Moreover, a system of regular hierarchical reporting is in place which provides for relevant details and assurances on the assessment and control of risks to be given to the Board. The Audit Committee, on behalf of the Board, conducts a formal review of risk management procedures and reports its findings to the Board with remedial action determined where appropriate.

Operating Board

The Operating Board, answerable directly to the Chief Executive is made up of functional Directors for: Finance, Retail, Trading and Marketing, Supply Chain Operations, Supply Chain Development, People, Corporate Affairs and Business Planning and Change. The Chief Executive, supported by the Operating Board is responsible for implementing the decisions of the Board and providing protection against the major risks by various techniques, including strategic planning, monitoring, supervision and training. The Operating Board meets monthly to review financial and other business performance, as well as to develop, monitor and implement the strategies as set by the Board. Although the Operating Board is not a formal committee of the Board, it does have its own terms of reference which are reviewed by the Board from time to time.

Risk Committee

The Risk Committee is a management committee, chaired by the Company Secretary and General Counsel. The Committee consists of the Chief Executive, all members of the Operating Board as well as appropriate heads of certain management functions within the business. It has responsibility for analysing, assessing, measuring and understanding the Company's risk environment and devising a sound risk management strategy for review and approval by the Board. Findings and important changes are reported to the Board from the Risk Committee through personal presentation, narrative reports and key performance indicators (internal and external to the organisation) and through the Audit Committee. Risks are assessed on a regular basis across all functional areas but in particular the areas of food safety, health and safety, the competitive environment, information flow, asset protection and regulatory requirements.

Whistle-blowing

The Company has 'whistle-blowing' procedures in place, which enable employees to bring matters to the attention of the senior management and ensure the confidential, proportionate and independent consideration and follow-up of any matters raised. These 'whistle-blowing' procedures are reviewed regularly by the Audit Committee and the Chair of the Audit Committee is the first line recipient of any matters raised through this policy. There were three matters reported through the policy during 2012, all of which were promptly and satisfactorily dealt with.

Internal Audit

The Internal Audit function continues to review the performance of shops, bakeries and central functions across a range of financial and non-financial requirements and reports its findings to senior management and directly to the Audit Committee. The Internal Audit Manager reports to the Company Secretary and General Counsel to improve functional independence and has a standing invitation to attend all Audit Committee meetings, not just during the time relating to the presentation of relevant audit reports. The Internal Audit team has authority to access all areas of the business, senior management, and the Chair of the Audit Committee as is seen fit.

Directors' remuneration report

"During 2012 the Remuneration Committee was chaired by Iain Ferguson. The members of the Committee consisted of Julie Baddeley, Ian Durant and Roger Whiteside who, upon appointment as Chief Executive, stepped down from the Committee on 3 February 2013. Bob Bennett was a member of the Committee up to 16 May 2012."
Iain Ferguson

Members:
Iain Ferguson, Julie Baddeley, Ian Durant, Allison Kirkby

Introduction
I am pleased to present the Directors' Remuneration Report of Greggs plc for the 52 weeks ended 29 December 2012. Shareholders will be invited to approve the report at the Company's Annual General Meeting (the 'AGM') on 15 May 2013.

Being mindful of the proposed legislative requirements in respect of executive remuneration reporting, this year we have amended the structure of our report in order to make it easier to understand and to try and eliminate duplication of information.

Fairness and appreciation
Both retrospectively and looking to the future the Company's remuneration policy is to provide competitive remuneration packages that will attract, retain and motivate the best 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, its employees and customers.

Our policy
Our policy is such that Executive Directors are fairly rewarded but are not overpaid and in return they are expected to demonstrate enthusiasm, commitment and strong leadership. Base salaries and total packages are set to reflect the UK market and 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.

We have a basic level of stability within our remuneration policy for Executive Directors. However, following the resignation of Kennedy McMeikan as Chief Executive in December 2012 and as part of our recruitment process for our new Chief Executive, Roger Whiteside, we have reviewed the bonus incentive plan and PSP element of the remuneration package of the role.

From 2013 the maximum earning potential for the Chief Executive under the bonus incentive plan will be 125% of base salary with the other Executive Directors remaining at the current level of 90% of base salary. With regards to the share-based incentive (the 'Performance Share Plan' or 'PSP'), the Chief Executive will receive 120% of his annual base salary in year one with no change to the other Executive Directors' PSP award. The Remuneration Committee were comfortable that this level of reward still sits at the median level within the market. We plan to conduct a full review of our PSP scheme for all the Executive and Operating Board Directors in 2013.

We are committed to ensuring that rewards for executives are closely aligned to the interests of shareholders and we believe that our remuneration policy continues to be aligned with our strategic goal of delivering shareholder value.

Iain Ferguson
Chairman of the Remuneration Committee
20 March 2013

Directors' remuneration report (continued)

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 as set out in the UK Corporate Governance Code 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. Therefore, the information set out on pages 44 to 51 of this Directors Remuneration Report marked as 'Audited' represents the audited disclosures as specified by the Regulations.

Role of the Committee

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 ensures that the Executive Directors are provided with appropriate incentives to enhance Company performance as well as reward them for their personal contribution to the success of the business. The Committee also determines the Chairman's remuneration and a committee of the Board consisting only of the Executive Directors determines the level of fees paid to the Non-Executive Directors. No Director is involved in determining his or her own remuneration.

Summary of activity during the year

During the course of meetings held in the year, items considered by the Committee included:

- Salaries of Executive Directors
- Bonus incentive
- Performance Share Plan and projected vesting
- Executive Directors' shareholdings

In addition, each year the Committee considers its total remuneration policy in the context of market and best practice. In 2013 it will be reviewing the Performance Share Plan for Executive Directors.

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, its employees and customers. Base salaries and total packages are set to reflect the UK 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. This exercise was last conducted by PwC in 2011 and will be repeated in 2013.

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.

The following policies and elements of package enable the Executive Directors to receive potentially significant benefits in addition to their base salaries, but only if value has been created for shareholders.

Elements of package

The key elements of the Executive Directors' remuneration for the 52 weeks ended 29 December 2012 and the 52 weeks ending 28 December 2013 are summarised below:

<table>
<tr><th>Element</th><th>Reason</th><th>Mechanics</th><th>Change in 2013</th></tr>
<tr><td>Base Salary</td><td>To attract and retain high calibre individuals

Set to reflect the market</td><td>Reviewed and set annually in January.

Benchmarked by external consultants against the median level payments made to executives in similar roles in companies of a comparative size. Individual performance and contribution is recognised to ensure market competitiveness.

A key reference point for salary increases are market and economic conditions and, in line with our values, the approach to employee pay throughout the organisation.

Salaries are paid monthly in cash.

The annual base salaries of the Executive Directors for the 52 weeks ended 29 December 2012 were:
<table>
<tr><th>Director</th><th>Salary as of 1 January 2012</th><th>Increase (%)</th><th>Salary as of 1 January 2013</th></tr>
<tr><td>Ken McMeikan</td><td>£469,397</td><td>2%</td><td>£478,785</td></tr>
<tr><td>Richard Hutton</td><td>£273,027</td><td>2%</td><td>£278,488</td></tr>
<tr><td>Raymond Reynolds</td><td>£243,624</td><td>2%</td><td>£248,496</td></tr>
<tr><td>Roger Whiteside*</td><td>–</td><td>–</td><td>£487,500</td></tr>
</table>
*Roger Whiteside was a Non-Executive Director during 2012 and therefore did not receive a salary. He was appointed as an Executive Director on 4 February 2013.</td><td>2% pay increase in line with all employees</td></tr>
<tr><td>Benefits</td><td>To support a competitive remuneration package in the market place</td><td>These benefits are membership of the Company pension scheme, car benefit, private medical health care, life assurance and permanent medical insurance.</td><td>No change</td></tr>
<tr><td>Pension</td><td>To support a competitive remuneration package in the market place</td><td>Executive Directors can elect to either:

• participate in the company defined contribution pension scheme (up to a cap). Above the cap Executive Directors receive a salary supplement; or
• take cash in lieu of this contribution paid as a supplement in addition to their salary on a monthly basis. This supplement will be subject to tax and NI. The employer's NI charge will be borne by the Executive Director to ensure there are no additional charges to the Company.

The Executive Directors will be able to make this choice on an annual basis. The remuneration adjustment is disclosed later in this report.

The pension contribution rates for the 52 weeks ended 29 December 2012 for the Executive Directors were:
<table>
<tr><td>Kennedy McMeikan</td><td>15%</td></tr>
<tr><td>Raymond Reynolds</td><td>14%</td></tr>
<tr><td>Richard Hutton</td><td>13%</td></tr>
</table></td><td>In 2013 the Chief Executive will receive 22.5% of his salary as cash in lieu of a contribution towards his pension (subject to his own tax and NI)</td></tr>
</table>

Directors' remuneration report (continued)

<table>
<tr><th>Element</th><th>Reason</th><th>Mechanics</th><th>Change in 2013</th></tr>
<tr>
<td>Annual Bonus (inc profit share)</td>
<td>To incentivise achievement of annual targets and objectives consistent with the short to medium-term strategic needs of the business</td>
<td>Maximum bonus opportunity of 90% of salary for all Executive Directors in 2012.

Each Executive Director has a personal objective to ensure they monitor and take appropriate action to minimise key business risks.

For 2012 the maximum target bonus levels were established on the following basis and this will continue through 2013:

• Financial target (profit) will be 60% of total bonus opportunity.
• Financial target (sales) will be 20% of total bonus opportunity.
• Personal Objectives (related to functional KPIs) will be 20% of total bonus opportunity.

Performance criteria for the scheme – whilst each element could be measured separately failure to exceed the profit level achieved in 2011 will result in no bonus being earned for either the profit or sales elements in 2012. This rule continues to apply in 2013.</td>
<td>In 2013 the Chief Executive can earn a maximum of 125% of salary

Executive Directors remain at 90% of salary</td>
</tr>
<tr>
<td>Performance Share Plan</td>
<td>To incentivise long-term value creation, retention of our talent and ensures alignment of Executive Directors and shareholders' interests</td>
<td>Maximum awards of 90% of salary for Chief Executive and 70% of salary for other Executive Directors.

Award subject to a combination of demanding TSR and EPS targets over a three year period. Maximum reward will only occur for upper quartile performance and minimum vesting 25%.

The awards made under the PSP in 2010, 2011 and 2012 have the following targets set:

<table>
<tr><th></th><th>EPS</th><th></th><th>TSR</th><th></th></tr>
<tr><th></th><th>Annual compound growth</th><th>Proportion of award vesting (% opportunity)</th><th>Position relative to appropriate group of FTSE 250 Food Producers, Retailers & Leisure Companies</th><th>Proportion of award vesting (% opportunity)</th></tr>
<tr><td></td><td>Less than RPI + 3%</td><td>Nil</td><td>Below median</td><td>Nil</td></tr>
<tr><td>Threshold</td><td>RPI + 3%</td><td>12.5%</td><td>At median</td><td>12.5%</td></tr>
<tr><td>Maximum</td><td>RPI + 8%</td><td>50%</td><td>Upper quartile</td><td>50%</td></tr>
</table>
</td>
<td>For the year 2013 the Chief Executive will be awarded 120% of salary (pro rata)

The FTSE 250 comparator group has been amended for 2013. Details can be found later in this report</td>
</tr>
</table>

Element	Reason	Mechanics	Change in 2013
Saving Related Share Option Scheme (SAYE)	To encourage employees at all levels within the Company to understand better and so participate in the growth in value of the Company	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 rules of that scheme require that all options granted must be on the same terms.	No change
Non-Executive Chairman and Directors' fees	To attract and retain high quality and experienced Non-Executive Chairman and Directors	The Chairman is paid an annual fee. The Non-Executive Directors are paid an annual base fee and additional responsibility fees for the role of Senior Independent Director or for chairing a Committee. These fees are reviewed and set annually in December and implemented from 1 January.	2% increase to fees
Share retention guidelines	To further align the interests of Executive Directors to those of shareholders	Executive Directors are required to build up a shareholding of 100% of their respective base salary in a five year period. This is achieved through shares granted and vested via the PSP and a percentage of bonus payment to be given as shares at the discretion of the Committee or chosen to be taken as shares by the Executive Director. This will be reviewed by the Committee in March each year.	Chief Executive shareholding target has been increased to 150% within five years
New Joiners		It is anticipated that the above policy forms the basis on which a new Executive Director is appointed. However, flexibility is retained to offer on appointment remuneration, on a one-off basis, outside the above policy.	

Directors' remuneration report (continued)

Executive Directors' Service Agreements

The current Executive Directors' service agreements contain the key information highlighted in the table below:

Provision	Detailed terms
Remuneration	• Salary, pension and benefits • Company car or cash allowance • Private Medical Health Care for the Director • Permanent Health Insurance • Participation in annual Bonus and Profit Share (subject to scheme rules) • Participation in long-term incentive schemes or similar arrangements (subject to scheme rules)
Notice Period	• Chief Executive contract is terminable on one year's notice served by either the Company or the Director • Other Executive Directors' service contracts are terminable on one year's notice served by the Company or by six months' notice served by the Director • It has been agreed that future Executive Directors' service contracts will be terminable on one year's notice served by either party

Termination Payment	• Payment in lieu of notice equal to any unexpired notice of termination given by either party
	• Payment in lieu shall not include:
	  • Any bonus payment;
	  • Any payment in respect of benefits which the Director would have been entitled to receive; and
	  • Any payment in respect of any holiday entitlement that would have accrued during the period for which the payment in lieu is made.

Restrictive Covenants	• 12 months from the date of leaving

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.

The Executive Directors have service agreements dated as follows:

	Date of contract	Continuous period of service
Roger Whiteside	4 February 2013	4 February 2013
Kennedy McMeikan*	8 April 2008	1 June 2008
Richard Hutton	7 April 2006	1 January 1998
Raymond Reynolds	18 December 2006	1 December 1986

*Kennedy McMeikan's service contract terminated on 8 March 2013.

Arrangements for new Chief Executive
Upon appointing Roger Whiteside a transitional bonus was agreed at the discretion of the Committee and under the following terms:

Roger Whiteside had to forgo a bonus from his previous employer, which would have been payable in 2013. The Committee has agreed to make an award to him in respect of 60,000 shares ('the Transitional Bonus') in compensation for this loss of bonus.

The award of half of the shares will be deferred for two years and the other half for three years. This award will be subject to continuity of employment and the individual not having resigned or been given notice of termination when the respective part of the award is due to vest. This award will be subject to tax and NI. Once the shares are awarded dividends will be received in the usual way.

External appointments
Executive Directors may take up one non-executive directorship outside of the Company subject to the Board's approval and provided that such an appointment is not likely to lead to a conflict of interest. It is recognised that this can support a Director's development and enhance experience as well as benefit the Company. Executive Directors will be entitled to retain the fees on one such appointment.

Share Retention Guidelines
As of 1 January 2011 the Committee introduced Share Retention Guidelines for Executive Directors and this has been updated for the Chief Executive in December 2012.

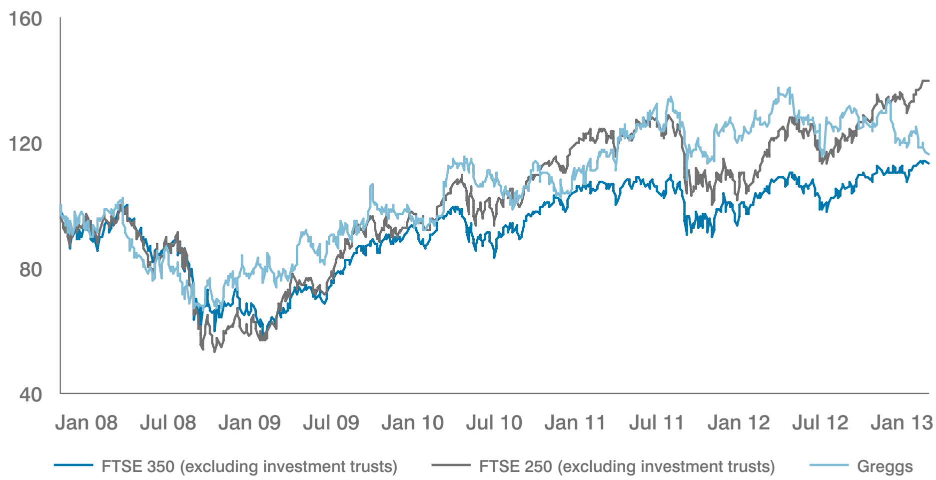
These require the Chief Executive to build up a shareholding of 150% and other Executive Directors to build up a shareholding of 100% of their respective base salary in a five year period. This can be achieved through shares granted and vested via the PSP and a percentage of bonus payment to be given as shares at the discretion of the Committee or chosen to be taken as shares by the Executive Director.

This will be reviewed by the Committee in March each year. Details of shareholding for each Executive Director as of 29 December 2012 are detailed below with the percentage holding calculated using the share price at that date:

	Number of shares held at the end of the year		Holding as a percentage of base salary for year	
	2012	2011	2012	2011
Kennedy McMeikan	**82,873**	72,425	**80.5%**	80.2%
Richard Hutton	**55,413**	55,003	**92.5%**	104.7%
Raymond Reynolds	**52,850**	52,440	**98.9%**	111.9%

Total Shareholder Return
The graph below 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.



Directors' remuneration report (continued)

Directors' remuneration earned in 2012 (Audited)

The following table sets out details of the emoluments and compensation received or receivable by each Director (excluding pension contributions details of which are set out separately below) during the 52 weeks ended 29 December 2012 and the salary/fees payable for 2013.

	Salary/fees set for 2013 £	Salary/fees paid in 2012 £	Salary in lieu of pension contributions 2012 £	Estimated value of benefits 2012 £	Annual profit share 2012 £	Annual bonus 2012 £	Total 2012 £
Executive							
Kennedy McMeikan	119,708	**469,397**	**17,935**	**21,656**	**10,155**	**65,887**	**585,030**
Richard Hutton	278,488	**256,645***	–	**11,460**	**8,191**	**36,039**	**312,335**
Raymond Reynolds	248,496	**243,624**	**29,971**	**12,548**	**7,309**	**23,388**	**316,840**
Roger Whiteside (Chief Executive from 4 February 2013)	446,875**	–	–	–	–	–	–
Chairman							
Derek Netherton	129,336	**126,800**	–	–	–	–	**126,800**
Non-Executive							
Bob Bennett (resigned 16 May 2012)	–	**16,937**	–	–	–	–	**16,937**
Julie Baddeley	45,523	**44,630**	–	–	–	–	**44,630**
Roger Whiteside (to 3 February 2013)	3,302**	**38,854**	–	–	–	–	**38,854**
Iain Ferguson	45,523	**44,630**	–	–	–	–	**44,630**
Ian Durant	45,523	**44,630**	–	–	–	–	**44,630**
Allison Kirkby (appointed 30 January 2013)	36,328**	–	–	–	–	–	–
Total		**1,286,147**	**47,906**	**45,664**	**25,655**	**125,314**	**1,530,686**

*Richard Hutton's salary for 2012 is shown net of £16,382 which was foregone and paid into his pension scheme as a Company contribution. This is included in the pension contributions set out in the pensions section below.
**Salaries/fees payable for 2013 have been pro-rated.

Directors' remuneration earned in 2011 (Audited)

	Salary/fees paid in 2011 £	Salary in lieu of pension contributions 2011 £	Estimated value of benefits 2011 £	Annual profit share 2011 £	Annual bonus 2011 £	Total 2011 £
Executive						
Kennedy McMeikan	456,834	22,334	26,016	8,917	149,934	664,035
Richard Hutton	265,720	–	13,911	9,351	83,045	372,027
Raymond Reynolds	237,104	19,446	12,513	8,344	74,102	351,509
Chairman						
Derek Netherton	123,406	–	–	–	–	123,406
Non-Executive						
Bob Bennett	43,435	–	–	–	–	43,435
Julie Baddeley	43,435	–	–	–	–	43,435
Roger Whiteside	37,814	–	–	–	–	37,814
Iain Ferguson	37,814	–	–	–	–	37,814
Ian Durant (appointed 5 October 2011)	9,066	–	–	–	–	9,066
Total	1,254,628	41,780	52,440	26,612	307,081	1,682,541

Single total remuneration figure for each Director

In line with draft proposals published by BIS, the following table presents a single total remuneration figure for 2012 for the Executive Directors. Compared to the table above, the additional elements included in the single figure relate to the value of any pension provision and any vesting of long-term incentive awards.

	Fixed Pay				Pay for Performance			
	Salary £	Pensions* £	Taxable benefits £	Subtotal £	Annual bonus (inc profit share) £	PSP £	Subtotal £	Total Remuneration £
K McMeikan	469,397	67,935	21,656	558,988	76,042	–	76,042	635,030
R Hutton	273,027	51,875	11,460	336,362	44,230	–	44,230	380,592
R Reynolds	243,624	29,971	12,548	286,143	30,697	–	30,697	316,840

*The figure for pensions includes contributions paid to defined contribution schemes and salary paid in lieu of pension contributions.

No value has been attributed to PSP as none of the schemes vested during 2012.

2012 Bonus

The Committee seeks to structure annual bonus arrangements so as to encourage sustainable growth in the Company's profits. The Committee is satisfied that the structure will not raise environmental, social or governance risks by inadvertently encouraging irresponsible behaviour.

The Committee's policy is that all bonus payments to Executive Directors should be non-pensionable.

Maximum 2012 bonus achievable:

	Maximum bonus achievable as % of basic salary	Financial target (Profit) as % of total bonus opportunity	Financial target (Sales) as % of total bonus opportunity	Personal objectives (related to functional KPIs) as % of total bonus opportunity
Kennedy McMeikan	90% of salary	60% of bonus	20% of bonus	20% of bonus
Richard Hutton	90% of salary	60% of bonus	20% of bonus	20% of bonus
Raymond Reynolds	90% of salary	60% of bonus	20% of bonus	20% of bonus

Whilst each element could be measured separately, failure to exceed the profit level achieved in 2011 would result in no bonus being earned for either the profit or sales elements in 2012.

The Committee introduced a claw-back clause in the Bonus Scheme rules in 2011 as follows:

"The Committee reserves the right to 'claw-back' any portion of the bonus payment that has been paid in error should it come to light, at a future date, that there was a material misstatement of the operating profit resulting in a significant over-payment."

Each Executive Director is entitled to participate in the Company's profit sharing scheme available to all employees. The value of this is then deducted from their annual bonus.

Directors' remuneration report (continued)

PSP

In 2009 shareholder approval was obtained for the introduction of a Performance Share Plan ('PSP'). Awards under the PSP were first made in 2010.

Awards are restricted for three years and vesting in full or part is subject to the achievement of a combination of EPS growth and TSR targets. This has provided a greater focus on achieving key long-term business goals and increased shareholder value.

The comparator group used in connection with the PSP was established following a comprehensive review which included taking advice from PwC, and for 2012 consisted of 26 companies who are General Retailers, Food Producers/Manufacturers or Leisure Companies and who were considered by the Remuneration Committee to be the most appropriate from the FTSE 250. Northern Foods and Robert Wiseman Dairies were removed from the list following their delisting. The remaining 26 companies are:

Brown (N) Group	Inchcape
Carpetright	Kesa Electricals (now known as Darty)
Cranswick	Marston's
Dairy Crest	Millennium & Copthorne Hotels
Debenhams	Mitchells & Butlers
Dignity	Mothercare
Domino's Pizza	Premier Foods
DSG International	Rank Group
Dunelm Group	Restaurant Group
Game Group (bought by private equity firm April 2012)	Sports Direct Intl.
Greene King	Tate & Lyle
Halfords Group	Wetherspoon (JD)
HMV Group (in administration as of 15 January 2013)	WH Smith

For the 2013 PSP scheme the comparator group has been revised by the Committee after taking advice from PwC. The comparator group now consists of 16 companies who continue to be General Retailers, Food Producers/Manufacturers or Leisure Companies and who were considered by the Remuneration Committee to be the most appropriate from the FTSE 250.

Although the number of comparable companies has been reduced, this was based on the following rationale:

- Two companies have been delisted (Game Group, HMV Group);
- Four companies have left the FTSE 250 on the grounds of their size (Kesa Electricals, Mothercare, Premier Foods, Tate & Lyle);
- Four companies have been removed as they are not suitable comparators and are not all affected by the current pressures in the retail environment (Brown (N) Group, Cranswick, Dairy Crest, Dignity).

The 16 companies are:

Booker	JD Sports
Carpetright	Marston's
Debenhams	Mitchells & Butlers
Domino's Pizza	Ocado
Dunelm Group	Restaurant Group
Greene King	Sports Direct Intl.
Halfords Group	Wetherspoon (JD)
Home Retail Group	W H Smith

The options granted in 2010 are due to vest in April 2013 when the performance conditions will be measured. Performance against these conditions has been monitored regularly and it is anticipated currently that the conditions will not be met.

Executive and savings related share options (Audited)

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

	Number of options during the year										
	At 1 January 2012	Granted	Exercised	Lapsed	At 29 December 2012	Exercise price	Date of grant	Market price at date of exercise	Gain on exercise	Date from which exercisable	Expiry date	Scheme
	Number	Number	Number	Number	Number	£		£	£			
Kennedy McMeikan	80,000	–	–	17,360	62,640	3.56	Apr 09	–	–	Apr 12	Apr 19	Exec
	276	–	–	–	276	3.54	Sep 09	–	–	Nov 12	Apr 13	SAYE
	374	–	–	–	374	4.53	Apr 11	–	–	Jun 14	Nov 14	SAYE
	–	423	–	–	423	4.68	Apr 12	–	–	Jun 15	Nov 15	SAYE
Richard Hutton	26,750	–	–	–	26,750	4.07	Aug 06	–	–	Aug 09	Aug 16	Exec
	80,000	–	–	17,360	62,640	3.56	Apr 09	–	–	Apr 12	Apr 19	Exec
	410	–	410	–	–	3.54	Sep 09	4.65	455	Nov 12	Apr 13	SAYE
	374	–	–	–	374	4.53	Apr 11	–	–	Jun 14	Nov 14	SAYE
	–	423	–	–	423	4.68	Apr 12	–	–	Jun 15	Nov 15	SAYE
Raymond Reynolds	26,750	–	–	–	26,750	4.07	Aug 06	–	–	Aug 09	Aug 16	Exec
	80,000	–		17,360	62,640	3.56	Apr 09	–	–	Apr 12	Apr 19	Exec
	410	–	410	–	–	3.54	Sep 09	4.65	455	Nov 12	Apr 13	SAYE
	374	–	–	–	374	4.53	Apr 11	–	–	Jun 14	Nov 14	SAYE
	–	423	–	–	423	4.68	Apr 12	–	–	Jun 15	Nov 15	SAYE

During 2011 Richard Hutton and Raymond Reynolds exercised SAYE options making gains of £500 and £600 respectively.

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 with vesting conditions outlined in the table below:

August 2006 Options		April 2009 Options	
Average annual growth in EPS	Proportion of award vesting (% opportunity)	Average annual growth in EPS	Proportion of award vesting (% opportunity)
RPI + 3%	50%	RPI + 3%	50%
RPI + 5%	100%	RPI + 7%	100%
RPI +3 to 5%	Pro rated straight line basis	RPI +3 to 7%	Pro rated straight line basis

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

Directors' remuneration report (continued)

PSP (Audited)

The following table sets out details of the Performance Share 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 40) held by, or granted to, each Director during the year, according to the register of Director's interests:

	Date of grant	Options held under the plan at 1 January 2012	Options granted during 2012	Options exercised during 2012	Options lapsed during 2012	Options held under the plan at 29 December 2012	Market price of each share at date of grant £	Date from which exercisable	Expiry date
Kennedy McMeikan	Apr 10	82,169	–	–	82,169	–	4.896	Apr 13	Apr 20
	Apr 11	79,219	–	–	79,219	–	5.190	Mar 14	Mar 21
	Apr 12	–	80,315	–	80,315	–	5.260	Mar 15	Mar 22
Richard Hutton	Apr 10	37,173	–	–	–	37,173	4.896	Apr 13	Apr 20
	Apr 11	35,838	–	–	–	35,838	5.190	Mar 14	Mar 21
	Apr 12	–	36,334	–	–	36,334	5.260	Mar 15	Mar 22
Raymond Reynolds	Apr 10	33,169	–	–	–	33,169	4.896	Apr 13	Apr 20
	Apr 11	31,979		–	–	31,979	5.190	Mar 14	Mar 21
	Apr 12	–	32,421	–	–	32,421	5.260	Mar 15	Mar 22

During 2011 Richard Hutton and Raymond Reynolds exercised LTIP options making gains of £74,368 and £65,586 respectively.

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 29 December 2012 was £4.558. The highest and lowest mid-market prices of ordinary shares during the financial year were £5.58 and £4.556 respectively.

Pensions (Audited)

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, dependant on length of pensionable service. From 1 April 2008 all Executive Directors received contributions into the Company's money purchase defined contributions pension schemes. Under this scheme Kennedy McMeikan and Raymond Reynolds received cash in lieu of their pension contributions in 2012. This was paid as a supplement in addition to their salary on a monthly basis. Details of this payment can be seen in the table 'Directors Remuneration earned in 2012' on page 44. No pension benefits were earned or accrued in respect of any Non-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 1 January 2012 £	Accrued annual pension entitlement at age 65 as at 29 December 2012 £	Increase in accrued pension entitlement for the year £	Increase in accrued pension entitlement for the year net of inflation of 5.0% £	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 5.0% 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 1 January 2012 £	Cash equivalent transfer value as at 29 December 2012 £	Increase in the cash equivalent transfer value since 1 January 2012 £
Richard Hutton	225,664	238,650	–
Raymond Reynolds	1,107,146	1,176,229	–

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 Company's money purchase defined contribution pension schemes for the benefit of Executive Directors during this financial year.

	Contribution in respect of 2012 £	Contribution in respect of 2011 £
Kennedy McMeikan	50,000	43,210
Richard Hutton	51,875*	45,172
Raymond Reynolds	–	15,095

*Pensions contributions for Richard Hutton include £16,382 referred to above which relates to salary foregone.

Chairman

The fees for the Chairman are reviewed annually by the Committee in January. The Committee uses market data to ensure it benchmarks against the appropriate market rates applicable. An increase in fees of 2% was awarded to the Chairman, effective January 2013. This was applied in line with the award given to all employees across the business and was below the average growth in fees across the market.

Details of the fees paid to Derek Netherton for the 52 weeks ended 29 December 2012 are outlined below:

	Fees payable for 2013 £	Fees paid in 2012 £	Total 2012 £
Derek Netherton	129,336	126,800	126,800

Derek Netherton will resign from the Board on 15 May 2013 and will be replaced as Chairman by Ian Durant. There will be no change in the level of Chairman's fees.

Non-Executive Directors Remuneration

In order to ensure that no Director is involved in deciding his/her own remuneration, the fees payable to Non-Executive Directors are set, after consultation with the Chairman, by a committee of the Board consisting only of the Executive Directors who periodically seek advice from external consultants as to the appropriate market rates applicable. These fees are reviewed and set annually in December and implemented from 1 January.

An increase in fees of 2% was awarded to the Non-Executive Directors, effective January 2013. This was applied in line with the award given to all employees across the business and was below the average growth in fees across the market.

The basic Non-Executive fees for the 52 weeks ended 29 December 2012 were £38,854.

The basic Non-Executive fees for 2013 are £39,631 per annum, including membership of committee(s) and an additional £5,892 for Chairmanship of the Audit or Remuneration Committee(s) and for the Senior Independent Director.

Directors' remuneration report (continued)

Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. Details of the fees paid to Non-Executive Directors are set out below:

	Fees payable for 2013 £	Fees paid in 2012 £	Total 2012 £
Bob Bennett (resigned 16 May 2012)	–	16,937	16,937
Julie Baddeley	45,523	44,630	44,630
Roger Whiteside	3,302	38,854	38,854
Iain Ferguson	45,523	44,630	44,630
Ian Durant*	45,523	44,630	44,630
Allison Kirkby** (appointed 30 January 2013)	36,328	–	–

*Ian Durant's annual fee will increase to £129,336 when appointed as Chairman post AGM.
**Allison Kirkby's annual fee will increase to £45,523 when appointed to Audit Committee Chair post AGM.

The Chairman and Non-Executive Directors do not have service contracts with the Company. However, each of them does have a letter of appointment.

Non-Executive Directors are appointed subject to the Company's Articles of Association, which require them to retire and to seek election at the first AGM after appointment. Thereafter, and following the introduction of the UK Corporate Governance Code in June 2010, the Board has resolved that every Director will be subject to annual re-election by shareholders. The Nominations Committee advises the Board as to whether Directors, 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 offer themselves for election or re-election, or if not re-appointed at such time. Details of their appointments are set out in the table below:

	Original Date of appointment	Total length of service as at 29 December 2012
Chairman		
Derek Netherton	25 February 2002	10 years, 10 months
Non-Executives		
Bob Bennett	1 December 2003	Leaver 16 May 2012
Julie Baddeley	1 March 2005	7 years, 10 months
Roger Whiteside	21 February 2008	4 years, 10 months
Iain Ferguson	31 March 2009	3 years, 9 months
Ian Durant	6 October 2011	1 year, 3 month
Allison Kirkby	30 January 2013	n/a

Remuneration Advice

The Chief Executive along with Jonathan Jowett (Company Secretary and General Counsel) and Roisin Currie (People Director) are normally invited to attend the Committee meetings in order to provide advice and support to the Committee. They are not paid an additional fee for this. PwC support the Committee with market advice at various points throughout the year.

Approval by Shareholders

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	59,836,165	98.9%
Against	688,301	1.1%
Total Votes Cast	**60,524,466**	**100%**

At the Annual General Meeting of the Company to be held on 15 May 2013, a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the Board on 20 March 2013.

On behalf of the Board

Iain Ferguson
Chair of the Remuneration Committee
20 March 2013

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

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

Under company law the Directors must not approve the financial statements 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 financial statements 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 financial statements 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 complies 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 financial statements 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, the Financial Review and the 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.

Roger Whiteside
Chief Executive
20 March 2013

Richard Hutton
Finance Director

Independent Auditor's report to the members of Greggs plc

We have audited the financial statements of Greggs plc for the year ended 29 December 2012 set out on pages 54 to 83. 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 financial statements, 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 52, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 29 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 financial statements 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 27, in relation to going concern;
- the part of the Corporate Governance Statement on page 24 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

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
20 March 2013

Consolidated income statement

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011)

	Note	2012 Excluding exceptional items £'000	2012 Exceptional items (see Note 4) £'000	2012 Total £'000	2011 Excluding exceptional items £'000	2011 Exceptional items (see Note 4) £'000	2011 Total £'000
Revenue	1	**734,502**	**–**	**734,502**	701,088	–	701,088
Cost of sales		**(287,193)**	**1,445**	**(285,748)**	(270,533)	(2,245)	(272,778)
Gross profit		**447,309**	**1,445**	**448,754**	430,555	(2,245)	428,310
Distribution and selling costs		**(362,067)**	**–**	**(362,067)**	(342,641)	–	(342,641)
Administrative expenses		**(33,394)**	**–**	**(33,394)**	(34,903)	–	(34,903)
Other income		**–**	**–**	**–**	–	9,665	9,665
Operating profit		**51,848**	**1,445**	**53,293**	53,011	7,420	60,431
Finance income	6	**49**	**–**	**49**	69	–	69
Profit before tax	3–6	**51,897**	**1,445**	**53,342**	53,080	7,420	60,500
Income tax	8	**(12,431)**	**(344)**	**(12,775)**	(14,068)	(1,929)	(15,997)
Profit for the financial year attributable to equity holders of the Parent		**39,466**	**1,101**	**40,567**	39,012	5,491	44,503
Basic earnings per share	9	**39.6p**	**1.1p**	**40.7p**	39.5p	5.5p	45.0p
Diluted earnings per share	9	**39.0p**	**1.1p**	**40.1p**	38.8p	5.5p	44.3p

Consolidated statement of comprehensive income

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011)

	Note	2012 £'000	2011 £'000
Profit for the financial year		**40,567**	44,503
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension plans	20	**4,257**	(10,359)
Tax on items taken directly to equity	8	**(979)**	2,590
Other comprehensive income for the financial year, net of income tax		**3,278**	(7,769)
Total comprehensive income for the financial year		**43,845**	36,734

Balance sheets

at 29 December 2012 (2011: 31 December 2011)

	Note	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
ASSETS					
Non-current assets					
Intangible assets	10	**144**	289	**144**	289
Property, plant and equipment	11	**264,257**	253,264	**264,850**	253,857
Investments	12	**–**	–	**4,987**	4,987
		264,401	253,553	**269,981**	259,133
Current assets					
Inventories	13	**17,658**	14,274	**17,658**	14,274
Trade and other receivables	14	**26,917**	21,165	**26,917**	21,165
Cash and cash equivalents	15	**19,381**	19,508	**19,381**	19,508
Other investments	12	**–**	500	**–**	500
		63,956	55,447	**63,956**	55,447
Total assets		**328,357**	309,000	**333,937**	314,580
LIABILITIES					
Current liabilities					
Trade and other payables	16	**(71,955)**	(74,304)	**(79,762)**	(82,111)
Current tax liabilities	17	**(7,101)**	(5,969)	**(7,101)**	(5,969)
Provisions	21	**(359)**	(620)	**(359)**	(620)
		(79,415)	(80,893)	**(87,222)**	(88,700)
Non-current liabilities					
Other payables	18	**(7,502)**	(7,969)	**(7,502)**	(7,969)
Defined benefit pension liability	20	**(4,056)**	(8,866)	**(4,056)**	(8,866)
Deferred tax liability	19	**(9,199)**	(10,010)	**(8,566)**	(9,351)
Long-term provisions	21	**(1,395)**	(2,879)	**(1,395)**	(2,879)
		(22,152)	(29,724)	**(21,519)**	(29,065)
Total liabilities		**(101,567)**	(110,617)	**(108,741)**	(117,765)
Net assets		**226,790**	198,383	**225,196**	196,815
EQUITY					
Capital and reserves					
Issued capital	22	**2,023**	2,023	**2,023**	2,023
Share premium account		**13,533**	13,533	**13,533**	13,533
Capital redemption reserve	22	**416**	416	**416**	416
Retained earnings		**210,818**	182,411	**209,224**	180,843
Total equity attributable to equity holders of the Parent		**226,790**	198,383	**225,196**	196,815

The accounts on pages 54 to 83 were approved by the Board of Directors on 20 March 2013 and were signed on its behalf by:

Roger Whiteside **Richard Hutton**

Company Registered Number 502851

Statements of changes in equity

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011)

Group

52 weeks ended 31 December 2011

		Attributable to equity holders of the Company				
	Note	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 2 January 2011		2,023	13,533	416	160,255	176,227
Total comprehensive income for the year						
Profit for the financial year		–	–	–	44,503	44,503
Other comprehensive income		–	–	–	(7,769)	(7,769)
Total comprehensive income for the year		–	–	–	36,734	36,734
Transactions with owners, recorded directly in equity						
Shares purchased		–	–	–	(557)	(557)
Sale of own shares		–	–	–	3,266	3,266
Share-based payment transactions	20	–	–	–	699	699
Dividends to equity holders	22	–	–	–	(18,286)	(18,286)
Tax items taken directly to reserves	8	–	–	–	300	300
Total transactions with owners		–	–	–	(14,578)	(14,578)
Balance at 31 December 2011		2,023	13,533	416	182,411	198,383

Group

52 weeks ended 29 December 2012

		Attributable to equity holders of the Company				
	Note	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2012		**2,023**	**13,533**	**416**	**182,411**	**198,383**
Total comprehensive income for the year						
Profit for the financial year		**–**	**–**	**–**	**40,567**	**40,567**
Other comprehensive income		**–**	**–**	**–**	**3,278**	**3,278**
Total comprehensive income for the year		**–**	**–**	**–**	**43,845**	**43,845**
Transactions with owners, recorded directly in equity						
Sale of own shares		**–**	**–**	**–**	**3,624**	**3,624**
Share-based payment transactions	20	**–**	**–**	**–**	**346**	**346**
Dividends to equity holders	22	**–**	**–**	**–**	**(19,406)**	**(19,406)**
Tax items taken directly to reserves	8	**–**	**–**	**–**	**(2)**	**(2)**
Total transactions with owners		**–**	**–**	**–**	**(15,438)**	**(15,438)**
Balance at 29 December 2012		**2,023**	**13,533**	**416**	**210,818**	**226,790**

Parent Company

52 weeks ended 31 December 2011

	Note	Attributable to equity holders of the Company Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 2 January 2011		2,023	13,533	416	158,740	174,712
Total comprehensive income for the year						
Profit for the financial year	7	–	–	–	44,450	44,450
Other comprehensive income		–	–	–	(7,769)	(7,769)
Total comprehensive income for the year		–	–	–	36,681	36,681
Transactions with owners, recorded directly in equity						
Shares purchased		–	–	–	(557)	(557)
Sale of own shares		–	–	–	3,266	3,266
Share-based payment transactions	20	–	–	–	699	699
Dividends to equity holders	22	–	–	–	(18,286)	(18,286)
Tax items taken directly to reserves	8	–	–	–	300	300
Total transactions with owners		–	–	–	(14,578)	(14,578)
Balance at 31 December 2011		2,023	13,533	416	180,843	196,815

Parent Company

52 weeks ended 29 December 2012

	Note	Attributable to equity holders of the Company Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2012		**2,023**	**13,533**	**416**	**180,843**	**196,815**
Total comprehensive income for the year						
Profit for the financial year	7	**–**	**–**	**–**	**40,541**	**40,541**
Other comprehensive income		**–**	**–**	**–**	**3,278**	**3,278**
Total comprehensive income for the year		**–**	**–**	**–**	**43,819**	**43,819**
Transactions with owners, recorded directly in equity						
Sale of own shares		**–**	**–**	**–**	**3,624**	**3,624**
Share-based payment transactions	20	**–**	**–**	**–**	**346**	**346**
Dividends to equity holders	22	**–**	**–**	**–**	**(19,406)**	**(19,406)**
Tax items taken directly to reserves	8	**–**	**–**	**–**	**(2)**	**(2)**
Total transactions with owners		**–**	**–**	**–**	**(15,438)**	**(15,438)**
Balance at 29 December 2012		**2,023**	**13,533**	**416**	**209,224**	**225,196**

Statements of cashflows

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011)

	Note	Group 2012 £'000	Group 2011 £'000	Parent Company 2012 £'000	Parent Company 2011 £'000
Operating activities					
Cash generated from operations (see below)		**70,013**	88,112	**70,013**	88,112
Income tax paid		**(13,435)**	(14,334)	**(13,435)**	(14,334)
Net cash inflow from operating activities		**56,578**	73,778	**56,578**	73,778
Investing activities					
Acquisition of property, plant and equipment		**(46,035)**	(62,822)	**(46,035)**	(62,822)
Proceeds from sale of property, plant and equipment		**4,563**	770	**4,563**	770
Interest received	6	**49**	69	**49**	69
Redemption of other investments	12	**500**	2,500	**500**	2,500
Net cash outflow from investing activities		**(40,923)**	(59,483)	**(40,923)**	(59,483)
Financing activities					
Sale of own shares		**3,624**	3,266	**3,624**	3,266
Shares purchased for Employee Benefit Trust		**–**	(557)	**–**	(557)
Dividends paid	22	**(19,406)**	(18,286)	**(19,406)**	(18,286)
Net cash outflow from financing activities		**(15,782)**	(15,577)	**(15,782)**	(15,577)
Net decrease in cash and cash equivalents		**(127)**	(1,282)	**(127)**	(1,282)
Cash and cash equivalents at the start of the year	15	**19,508**	20,790	**19,508**	20,790
Cash and cash equivalents at the end of the year	15	**19,381**	19,508	**19,381**	19,508

Cash flow statement – cash generated from operations

	Note	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Profit for the financial year		**40,567**	44,503	**40,541**	44,450
Amortisation	10	**145**	144	**145**	144
Depreciation	11	**32,842**	30,707	**32,842**	30,707
(Profit)/loss on sale of property, plant and equipment		**(1,475)**	512	**(1,475)**	512
Release of government grants		**(471)**	(470)	**(471)**	(470)
Gain arising from pension adjustment		**–**	(9,665)	**–**	(9,665)
Share-based payment expenses	20	**346**	699	**346**	699
Finance income	6	**(49)**	(69)	**(49)**	(69)
Income tax expense	8	**12,775**	15,997	**12,801**	16,050
Increase in inventories		**(3,384)**	(2,391)	**(3,384)**	(2,391)
(Increase)/decrease in receivables		**(5,752)**	1,144	**(5,752)**	1,144
(Decrease)/increase in payables		**(3,233)**	7,777	**(3,233)**	7,777
Decrease in pension liability		**(553)**	(592)	**(553)**	(592)
Decrease in provisions		**(1,745)**	(184)	**(1,745)**	(184)
Cash from operating activities		**70,013**	88,112	**70,013**	88,112

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011)

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 20 March 2013.

(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 except the defined benefit pension liability, which is recognised as plan assets less the present value of the defined benefit obligation.

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 6 to 36. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 14 and 15. 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 IFRS transition date (1 January 2004), as no significant acquisitions had taken place during the previous ten 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. From 1 January 2012 the following standards, amendments and interpretations became effective and were adopted by the Group:

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets'.
- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets'.
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'.
- Amendments to IFRS 1 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'.

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.

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

Significant accounting policies continued

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

Post retirement benefits

The determination of the 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 2012 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. A 1% change in the discount rate would result in a £10,000 change in the impairment charge.

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 vacated properties and properties which the Group has committed to vacate and for which the Group has on-going lease commitments. Management exercise judgement as to whether the property 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 in 2008 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 52 weeks ended 29 December 2012. The comparative period is the 52 weeks ended 31 December 2011.

(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.

(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 cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its costs can be measured reliably. The carrying value of the replaced component is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is provided so as to write off the cost (less residual value) of each item of property, plant and equipment during its expected useful life using the straight line method over the following periods:

Freehold and long leasehold buildings	40 years
Short leasehold properties	10 years or length of lease if shorter
Plant, machinery, equipment, vehicles, fixtures and fittings	3 to 10 years

Freehold land is not depreciated.

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

Non-current investments comprise investments in subsidiaries which are carried at cost less impairment.

Current investments comprise fixed term fixed-rate bank deposits where the term is greater than three months.

(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.

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

Significant accounting policies continued

(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.

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)Vacant properties

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) Retail sales

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.

(ii) Wholesale sales

Wholesales sales, including sales to franchise outlets, are recognised when goods are dispatched to customers.

(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.

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 and does not always have distinguishable research and development phases.

(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:

- IFRS 10 'Consolidated Financial Statements' mandatory for accounting periods commencing on or after 1 January 2014.
- IAS 27 'Separate Financial Statements' mandatory for accounting periods commencing on or after 1 January 2014.
- IFRS 11 'Joint Arrangements' mandatory for accounting periods commencing on or after 1 January 2014.

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

Significant accounting policies continued

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' mandatory for accounting periods commencing on or after 1 January 2014.
- IFRS 12 'Disclosure of Interests in Other Entities' mandatory for accounting periods commencing on or after 1 January 2014.
- IFRS 13 'Fair Value Measurement' mandatory for accounting periods commencing on or after 1 January 2013.
- Amendments to IAS 19 'Employee Benefits' mandatory for accounting periods commencing on or after 1 January 2013.
- Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' mandatory for accounting periods commencing on or after 1 January 2013.
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' mandatory for accounting periods commencing on or after 1 January 2014.

None of these standards and amendments is expected to have a significant impact on the accounts when they are adopted except for amendments to IAS 19 'Employee Benefits'. The amendments to IAS 19 will be adopted for the financial year ending 28 December 2013 and the results for the 52 weeks ended 29 December 2012 will be restated. The impact on the results for 2012 will be a reduction in pre-tax profit of £949,000 and an increase in actuarial gains in other comprehensive income by the same amount. There will be no impact on total equity. The impact on the results for 2013 is not expected to be materially different to that in 2012.

In 2013 it is possible that the Group's wholesaling and franchising business will be disclosed as a separate reportable segment under IFRS 8. Whilst not sufficiently material at present, at current growth rates we expect this business to exceed the quantitive thresholds in IFRS 8 in the short to medium term.

1. Segmental analysis

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. The information which is reviewed by the Board for the purposes of assessing financial performance and allocating resources comprises the profit and loss account for the Company as a whole.

The Group is a centrally managed business with an integrated supply chain. There are seven retail regions, each reporting to the Group Retail Director. The business performance is assessed after allocation of supply chain costs to the retail regions. These retail regions 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. The new wholesale and franchising business comprises a new operating segment focused on sales to businesses rather than direct to the consumer. Its results however, are not sufficiently material currently to be a 'Reportable segment' under IFRS 8.

Products and services – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its shops. The Group now also provides frozen bakery products to its wholesale customers.

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, including wholesale customers, but these are immaterial in a Group context.

Geographical areas – all 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 accounts 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.

Retail sales represent a large proportion of the Group's sales and present no credit risk as they are made for cash. Where credit sales are concerned the Group operates effective credit control procedures in order to minimise exposure to overdue debts.

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 the majority of 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 had cash resources at the year end, and intends to put in place further financing facilities to support its growth plans.

The Group has overdraft facilities of £5,000,000 of which £5,000,000 was undrawn at 29 December 2012 (2011: £5,000,000).

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

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

Currency risk
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 £49,000 (2011: £69,000).

Equity prices
The Group has no equity investments other than its subsidiaries. As disclosed in Note 20 the Group's Defined Benefit Pension Scheme has investments in equity related funds.

Capital management
The Board defines capital as the equity of the Group. The Group has remained 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.

Financial instruments
Group and Parent Company
All of the Group's surplus cash is invested as cash placed on deposit or fixed term deposits.

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 assets comprise cash and cash equivalents and fixed-term deposits. 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 29 December 2012 (2011: £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.

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

3. Profit before tax

Profit before tax is stated after charging/(crediting):

	2012 £'000	2011 £'000
Amortisation of intangible assets	**145**	144
Depreciation on owned property, plant and equipment	**32,842**	30,707
(Profit)/loss on disposal of fixed assets	**(1,475)**	512
Release of government grants	**(471)**	(470)
Payments under operating leases – property rents	**46,758**	43,988
Research and development expenditure	**650**	726
Auditors' remuneration		
Audit of these accounts	**149**	157
Other services pursuant to such legislation	**3**	3
Audit of pension schemes' accounts	**7**	7
Other services – tax compliance	**53**	50
Other services – tax advisory	**33**	20
All other services	**6**	6

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

	2012 £'000	2011 £'000
Cost of sales		
Closure of Penrith bakery – asset write down and redundancy	**–**	(441)
Closure of Gosforth bakery		
– asset write down	**–**	(704)
– profit on disposal of leases	**345**	–
– lease costs	**1,100**	(1,100)
	1,445	(2,245)
Administrative expenses		
Pension amendment	**–**	9,665
Total exceptional items	**1,445**	7,420

Pension amendment

Following the UK Government's legislation announced in July 2010 that requires statutory indexation of pension benefits to be based on CPI rather than RPI, the Group informed pension members in April 2011 that this amendment would be applied to the Group's defined benefit pension scheme. The exceptional credit represents the ensuing reduction in the net pension liability.

Gosforth bakery

During 2011 the Group created an onerous lease provision for, and wrote off the value of the assets of, our old Gosforth bakery prior to relocation to a new site in early 2012. During 2012 the Group successfully disposed of the old site with all leases being surrendered with no further recourse. The resulting release of the onerous lease provision and the profit on the sale of the site have been treated as exceptional items in 2012.

5. Personnel expenses

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

	Group and Parent Company 2012 Number	2011 Number
Management	**707**	697
Administration	**372**	412
Production	**3,075**	2,778
Shop	**15,867**	15,617
	20,021	19,504

The aggregate personnel costs of these persons were as follows:

	Note	Group and Parent Company 2012 £'000	2011 £'000
Wages and salaries		**261,760**	259,274
Compulsory social security contributions		**19,767**	18,805
Pension costs – defined contribution plans	20	**7,852**	5,850
Pension costs – defined benefit plans	20	**(553)**	(592)
Equity settled transactions	20	**346**	699
		289,172	284,036

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:

	2012 £'000	2011 £'000
Cost of sales	**1,495**	1,530
Distribution and selling costs	**3,565**	3,652
Administrative expenses	**690**	708
	5,750	5,890

6. Finance income

	2012 £'000	2011 £'000
Interest income on cash balances	**41**	56
Foreign exchange gain	**8**	13
	49	69

7. Profit attributable to Greggs plc

Of the Group profit for the year, £40,541,000 (2011: £44,450,000) 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.

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

8. Income tax expense

Recognised in the income statement

	2012 £'000	2011 £'000
Current tax expense		
Current year	**15,338**	15,044
Adjustment for prior years	**(698)**	(1,007)
	14,640	14,037
Deferred tax expense		
Origination and reversal of temporary differences	**(455)**	2,174
Reduction in tax rate	**(801)**	(809)
Adjustment for prior years	**(609)**	595
	(1,865)	1,960
Total income tax expense in income statement	**12,775**	15,997

Reconciliation of effective tax rate

	2012	2012 £'000	2011	2011 £'000
Profit before tax		**53,342**		60,500
Income tax using the domestic corporation tax rate	**24.5%**	**13,069**	26.5%	16,033
Non-deductible expenses	**1.9%**	**1,001**	0.9%	523
Non-qualifying depreciation	**1.5%**	**813**	1.3%	773
Impact of reduction in deferred tax rate	**(1.7%)**	**(915)**	(1.6%)	(920)
Adjustment re prior years	**(2.2%)**	**(1,193)**	(0.7%)	(412)
Total income tax expense in income statement	**24.0%**	**12,775**	26.4%	15,997

On 3 July 2012 a reduction in the rate of corporation tax from 24 per cent to 23 per cent was substantively enacted to take effect from 1 April 2013. Any timing differences which reverse before 1 April 2013 will be charged/credited at 24 per cent and any timing differences which exist at 1 April 2013 will reverse at 23 per cent.

The Chancellor has also announced a further reduction to the main rate of corporation tax to 21 per cent with effect from 1 April 2014.

Tax recognised directly in equity

	2012 Current tax £'000	2012 Deferred tax £'000	2012 Total £'000	2011 Total £'000
Debit/(credit) to equity:				
Relating to equity-settled transactions	(73)	75	**2**	(300)
Relating to defined benefit plans – actuarial gains/(losses)	–	979	**979**	(2,590)
	(73)	1,054	**981**	(2,890)

9. Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 29 December 2012 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 29 December 2012 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 29 December 2012 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 29 December 2012 as calculated below.

Profit attributable to ordinary shareholders

	2012 Excluding exceptional items £'000	2012 Exceptional items £'000	2012 Total £'000	2011 Excluding exceptional items £'000	2011 Exceptional items £'000	2011 Total £'000
Profit for the financial year attributable to equity holders of the Parent	**39,466**	**1,101**	**40,567**	39,012	5,491	44,503
Basic earnings per share	**39.6p**	**1.1p**	**40.7p**	39.5p	5.5p	45.0p
Diluted earnings per share	**39.0p**	**1.1p**	**40.1p**	38.8p	5.5p	44.3p

Weighted average number of ordinary shares

	2012 Number	2011 Number
Issued ordinary shares at start of year	**101,155,901**	101,155,901
Effect of own shares held	**(1,587,754)**	(2,194,189)
Weighted average number of ordinary shares during the year	**99,568,147**	98,961,712
Effect of share options on issue	**1,478,599**	1,512,151
Weighted average number of ordinary shares (diluted) during the year	**101,046,746**	100,473,863

10. Intangible assets

Group and Parent Company

	Software £'000
Cost	
Balance at 2 January 2011, 31 December 2011 and 29 December 2012	686
Amortisation	
Balance at 2 January 2011	253
Amortisation charge for the year	144
Balance at 31 December 2011	397
Balance at 1 January 2012	**397**
Amortisation charge for the year	**145**
Balance at 29 December 2012	**542**
Carrying amounts	
At 2 January 2011	433
At 31 December 2011	289
At 1 January 2012	**289**
At 29 December 2012	**144**

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for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

11. Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
Balance at 2 January 2011	116,204	105,578	184,593	7,844	414,219
Additions	14,012	13,514	31,577	–	59,103
Disposals	(23)	(5,570)	(7,563)	–	(13,156)
Reclassification	5,391	1,905	548	(7,844)	–
Balance at 31 December 2011	135,584	115,427	209,155	–	460,166
Balance at 1 January 2012	**135,584**	**115,427**	**209,155**	**–**	**460,166**
Additions	**362**	**11,776**	**34,785**	**–**	**46,923**
Disposals	**(969)**	**(12,132)**	**(5,102)**	**–**	**(18,203)**
Balance at 29 December 2012	**134,977**	**115,071**	**238,838**	**–**	**488,886**
Depreciation					
Balance at 2 January 2011	23,009	66,955	98,105	–	188,069
Depreciation charge for the year	3,186	9,790	17,731	–	30,707
Disposals	(23)	(5,272)	(6,579)	–	(11,874)
Balance at 31 December 2011	26,172	71,473	109,257	–	206,902
Balance at 1 January 2012	**26,172**	**71,473**	**109,257**	**–**	**206,902**
Depreciation charge for the year	**2,786**	**9,806**	**20,250**	**–**	**32,842**
Disposals	**(654)**	**(9,837)**	**(4,624)**	**–**	**(15,115)**
Balance at 29 December 2012	**28,304**	**71,442**	**124,883**	**–**	**224,629**
Carrying amounts					
At 2 January 2011	93,195	38,623	86,488	7,844	226,150
At 31 December 2011	109,412	43,954	99,898	–	253,264
At 1 January 2012	**109,412**	**43,954**	**99,898**	**–**	**253,264**
At 29 December 2012	**106,673**	**43,629**	**113,955**	**–**	**264,257**

The impairment charge for the financial year of £544,000 (2011: £nil) has been recognised in the depreciation charge for the financial year.

Parent Company

	Land and Buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Under construction £'000	Total £'000
Cost					
Balance at 2 January 2011	116,714	106,111	185,081	7,844	415,750
Additions	14,012	13,514	31,577	–	59,103
Disposals	(23)	(5,570)	(7,563)	–	(13,156)
Reclassification	5,391	1,905	548	(7,844)	–
Balance at 31 December 2011	136,094	115,960	209,643	–	461,697
Balance at 1 January 2012	**136,094**	**115,960**	**209,643**	**–**	**461,697**
Additions	**362**	**11,776**	**34,785**	**–**	**46,923**
Disposals	**(969)**	**(12,132)**	**(5,102)**	**–**	**(18,203)**
Balance at 29 December 2012	**135,487**	**115,604**	**239,326**	**–**	**490,417**
Depreciation					
Balance at 2 January 2011	23,286	67,225	98,496	–	189,007
Depreciation charge for the year	3,186	9,790	17,731	–	30,707
Disposals	(23)	(5,272)	(6,579)	–	(11,874)
Balance at 31 December 2011	26,449	71,743	109,648	–	207,840
Balance at 1 January 2012	**26,449**	**71,743**	**109,648**	**–**	**207,840**
Depreciation charge for the year	**2,786**	**9,806**	**20,250**	**–**	**32,842**
Disposals	**(654)**	**(9,837)**	**(4,624)**	**–**	**(15,115)**
Balance at 29 December 2012	**28,581**	**71,712**	**125,274**	**–**	**225,567**
Carrying amounts					
At 2 January 2011	93,428	38,886	86,585	7,844	226,743
At 31 December 2011	109,645	44,217	99,995	–	253,857
At 1 January 2012	**109,645**	**44,217**	**99,995**	**–**	**253,857**
At 29 December 2012	**106,906**	**43,892**	**114,052**	**–**	**264,850**

The impairment charge for the financial year of £544,000 (2011: £nil) has been recognised in the depreciation charge for the financial year.

Land and buildings

The carrying amount of land and building comprises:

	Group		Parent Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Freehold property	**106,571**	109,277	**106,804**	109,510
Long leasehold property	**3**	8	**3**	8
Short leasehold property	**99**	127	**99**	127
	106,673	109,412	**106,906**	109,645

Property, plant and equipment under construction

Assets under construction at 2 January 2011 comprised new bakeries and equipment for new shops not yet fitted. Construction of these assets was completed during 2011. There were no assets under construction at 31 December 2011 or 29 December 2012.

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for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

12. Investments
Non-current investments

Parent Company

	Shares in subsidiary undertakings £'000
Cost	
As at 2 January 2011, 31 December 2011 and 29 December 2012	5,828
Impairment	
As at 2 January 2011	841
Impairment charge for the year	–
As at 31 December 2011	841
As at 1 January 2012	841
Impairment charge for the year	–
As at 29 December 2012	841
Carrying amount	
As at 2 January 2011	4,987
As at 31 December 2011	4,987
As at 1 January 2012	**4,987**
As at 29 December 2012	**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.

Current investments

	Group and Parent Company 2012 £'000	2011 £'000
Fixed-rate bond	–	500

13. Inventories

	Group and Parent Company 2012 £'000	2011 £'000
Raw materials and consumables	**12,703**	10,757
Work in progress	**4,955**	3,517
	17,658	14,274

14. Trade and other receivables

	Group and Parent Company 2012 £'000	2011 £'000
Trade receivables	**4,750**	971
Other receivables	**8,025**	5,214
Prepayments	**14,142**	14,980
	26,917	21,165

At 29 December 2012 trade receivables are shown net of an allowance for bad debts of £13,000 (2011: £7,000) arising in the ordinary course of business.

The aging of trade receivables that were not impaired at the balance sheet date was:

	Group and Parent Company 2012 £'000	2011 £'000
Not past due date	**3,236**	732
Past due 1-30 days	**1,122**	230
Past due 31-90 days	**392**	9
Past due 91-120 days	**–**	–
	4,750	971

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable in full, based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Group's monitoring of customer credit risk, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due.

15. Cash and cash equivalents

	Group and Parent Company 2012 £'000	2011 £'000
Cash and cash equivalents	**19,381**	19,508

16. Trade and other payables

	Group		Parent Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade payables	**36,390**	37,346	**36,390**	37,346
Amounts owed to subsidiary undertakings	**–**	–	**7,807**	7,807
Other taxes and social security	**5,468**	7,511	**5,468**	7,511
Other payables	**16,744**	15,781	**16,744**	15,781
Accruals and deferred income	**12,889**	13,198	**12,889**	13,198
Deferred government grants	**464**	468	**464**	468
	71,955	74,304	**79,762**	82,111

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

17. Current tax liability

The current tax liability of £7,101,000 in the Group and the Parent Company (2011: Group and Parent Company £5,969,000) represents the estimated amount of income taxes payable in respect of current and prior years.

18. Other payables

	Group and Parent Company	
	2012 £'000	2011 £'000
Deferred government grants	**7,502**	7,969

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.

19. Deferred tax assets and liabilities

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Property, plant and equipment	**–**	–	**11,773**	13,986	**11,773**	13,986
Employee benefits	**(2,418)**	(3,788)	**–**	–	**(2,418)**	(3,788)
Short-term temporary differences	**(156)**	(188)	**–**	–	**(156)**	(188)
Tax (assets)/liabilities	**(2,574)**	(3,976)	**11,773**	13,986	**9,199**	10,010

The movements in temporary differences during the year ended 31 December 2011 were as follows:

	Balance at 2 January 2011 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31 December 2011 £'000
Property, plant and equipment	15,485	(1,499)	–	13,986
Employee benefits	(3,571)	2,657	(2,874)	(3,788)
Short-term temporary differences	(990)	802	–	(188)
	10,924	1,960	(2,874)	10,010

The movements in temporary differences during the year ended 29 December 2012 were as follows:

	Balance at 1 January 2012 £'000	Recognised in income £'000	Recognised in equity £'000	**Balance at 29 December 2012 £'000**
Property, plant and equipment	13,986	(2,213)	–	**11,773**
Employee benefits	(3,788)	316	1,054	**(2,418)**
Short-term temporary differences	(188)	32	–	**(156)**
	10,010	(1,865)	1,054	**9,199**

Parent Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Property, plant and equipment	**–**	–	**11,140**	13,327	**11,140**	13,327
Employee benefits	**(2,418)**	(3,788)	**–**	–	**(2,418)**	(3,788)
Short-term temporary differences	**(156)**	(188)	**–**	–	**(156)**	(188)
Tax (assets)/liabilities	**(2,574)**	(3,976)	**11,140**	13,327	**8,566**	9,351

The movements in temporary differences during the year ended 31 December 2011 were as follows:

	Balance at 2 January 2011 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31 December 2011 £'000
Property, plant and equipment	14,773	(1,446)	–	13,327
Employee benefits	(3,571)	2,657	(2,874)	(3,788)
Short-term temporary differences	(990)	802	–	(188)
	10,212	2,013	(2,874)	9,351

The movements in temporary differences during the year ended 29 December 2012 were as follows:

	Balance at 1 January 2012 £'000	Recognised in income £'000	Recognised in equity £'000	**Balance at 29 December 2012 £'000**
Property, plant and equipment	13,327	(2,187)	–	**11,140**
Employee benefits	(3,788)	316	1,054	**(2,418)**
Short-term temporary differences	(188)	32	–	**(156)**
	9,351	(1,839)	1,054	**8,566**

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	
	2012 £'000	2011 £'000
Present value of funded obligations	**(90,333)**	(87,809)
Fair value of plan assets	**86,277**	78,943
Recognised liability for defined benefit obligations	**(4,056)**	(8,866)

This scheme was closed to future accrual in 2008.

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

20. Employee benefits continued

Liability for defined benefit obligations

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

	Group and Parent Company 2012 £'000	Group and Parent Company 2011 £'000
Opening defined benefit obligation	**87,809**	92,544
Interest cost	**4,147**	4,758
Actuarial losses	**926**	3,035
Past service cost – adjustment from RPI to CPI	**–**	(9,665)
Benefits paid	**(2,549)**	(2,863)
	90,333	87,809

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

	Group and Parent Company 2012 £'000	Group and Parent Company 2011 £'000
Opening fair value of plan assets	**78,943**	83,780
Expected return	**4,700**	5,350
Actuarial gains/(losses)	**5,183**	(7,324)
Contributions by employer	**–**	–
Benefits paid	**(2,549)**	(2,863)
Closing fair value of plan assets	**86,277**	78,943

The amounts recognised in the income statement are as follows:

	Group 2012 £'000	Group 2011 £'000
Interest on obligation	**4,147**	4,758
Expected return on plan assets	**(4,700)**	(5,350)
Total included in employee benefit expense	**(553)**	(592)
Past service cost – adjustment from RPI to CPI	**–**	(9,665)
	(553)	(10,257)

The credit is recognised in the following line items of the income statement:

	Group 2012 £'000	Group 2011 £'000
Administrative expenses	**(553)**	(592)
Exceptional item – other income	**–**	(9,665)
	(553)	(10,257)

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 £21,852,000 (2011: net losses of £26,109,000).

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

	Group and Parent Company 2012 £'000	2011 £'000
Equities	**57,375**	53,129
Bonds	**22,863**	21,315
Property	**2,157**	1,974
Cash/other	**3,882**	2,525
	86,277	78,943
Actual return on plan assets	**9,883**	(1,974)

The plan assets include ordinary shares issued by the Company with a fair value of £456,000 (2011: £2,656,000).

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.

Principal actuarial assumptions (expressed as weighted averages):

	Group and Parent Company 2012	2011
Discount rate	**4.5%**	4.8%
Expected rate of return on plan assets	**6.0%**	6.1%
Future salary increases	**n/a**	n/a
Future pension increases	**1.8% – 2.3%**	2.3%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase of 0.1%	Decrease of £1.8m
Inflation	Decrease of 0.1%	Decrease by £1.3m

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)	2012		2011	
	Male	Female	Male	Female
Member aged 65 in 2012	**22.0**	**24.2**	21.9	24.2
Member aged 65 in 2032	**23.3**	**25.8**	23.2	25.8

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				
	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligation	**(90,333)**	(87,809)	(92,544)	(87,211)	(69,563)
Fair value of plan assets	**86,277**	78,943	83,780	74,879	63,830
Deficit	**(4,056)**	(8,866)	(8,764)	(12,332)	(5,733)

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

20. Employee benefits continued

Experience adjustments

	Group and Parent Company									
	2012 £'000		2011 £'000		2010 £'000		2009 £'000		2008 £'000	
Experience adjustments on plan liabilities	**(926)**	**1.0%**	(3,035)	3.5%	(2,800)	3.0%	(15,538)	17.8%	5,133	7.4%
Experience adjustments on plan assets	**5,183**	**6.0%**	(7,324)	9.3%	5,681	6.8%	8,618	11.5%	(17,747)	27.8%
Net actuarial experience adjustments	**4,257**		(10,359)		2,881		(6,920)		(12,614)	

The Group expects to contribute £nil to its defined benefit plan in 2013.

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 £7,852,000 (2011: £5,850,000) 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, April 2008, September 2009, April 2011 and April 2012 and an Executive Share Option Scheme, which granted options in September 2003, March 2004, August 2004, September 2004, August 2006, April 2008, April 2009 and August 2011.

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.

The Company established a Performance Share Plan in 2009 and grants of options have been made under this scheme in April 2010, March 2011 and March 2012.

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 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
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
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	April 2008	All employees	393p	761,020	Three years' service	3.5 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
Performance Share Plan 1	April 2010	Senior executives	nil	270,521	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Performance Share Plan 2	March 2011	Senior executives	nil	223,418	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Savings Related Share Option Scheme 12	April 2011	All employees	453p	697,609	Three years' service	3.5 years
Executive Share Option Scheme 15	August 2011	Senior employees	482p	707,000	Three years' service and EPS growth of 3-7% over RPI on average over those three years	10 years
Performance Share Plan 3	March 2012	Senior executives	nil	248,922	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Savings Related Share Option Scheme 13	April 2012	All employees	468p	703,332	Three years' service	3.5 years

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for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

20. Employee benefits continued

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

	2012		2011	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	**360p**	**4,978,002**	334p	4,953,261
Lapsed during the year	**270p**	**(820,692)**	273p	(764,978)
Exercised during the year	**361p**	**(937,301)**	370p	(831,308)
Granted during the year	**346p**	**952,254**	403p	1,621,027
Outstanding at the end of the year	**374p**	**4,172,263**	360p	4,978,002
Exercisable at the end of the year	**377p**	**1,732,547**	415p	719,826

The options outstanding at 29 December 2012 have an exercise price in the range of £nil to £4.82 and have a weighted average contractual life of 5.4 years. The options exercised during the year had a weighted average market value of £4.88 (2011: £5.25).

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 for Savings Related Share Option Schemes and Executive Share Option Schemes and using the Monte Carlo option pricing model for Performance Share Plans. The fair value per option granted and the assumptions used in these calculations are as follows:

	2012		2011		
	Performance Share Plan 3 March 2012	Savings Related Share Options Scheme 13 April 2012	Performance Share Plan 2 March 2011	Savings Related Share Options Scheme 12 April 2011	Executive Share Option Scheme 15 August 2011
Fair value at grant date	**384p**	**68p**	392p	91p	56p
Share price	**526p**	**520p**	519p	503p	482p
Exercise price	**nil**	**468p**	nil	453p	482p
Expected volatility	**21.0%**	**20.9%**	26.2%	26.2%	24.3%
Option life	**3 years**	**3 years**	3 years	3 years	3 years
Expected dividend yield	**3.71%**	**3.71%**	3.50%	3.62%	3.83%
Risk-free rate	**0.59%**	**0.59%**	1.83%	1.93%	0.84%

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.

Market condition features were incorporated into the Monte Carlo models for the total shareholder return element of the Performance Share Plan in determining the fair value at grant date. The assumptions used in this model were as follows:

	Performance Share Plan 3 March 2012	Performance Share Plan 2 March 2011
Average share price volatility FTSE 250 comparator group	**46.3%**	53.3%
Average correlation FTSE 250 comparator group	**16.7%**	15.2%

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

	2012 £'000	2011 £'000
Share options granted in 2006	–	61
Share options granted in 2008	–	(192)
Share options granted in 2009	**(46)**	362
Share options granted in 2010	**(87)**	187
Share options granted in 2011	**299**	281
Share options granted in 2012	**180**	–
Total expense recognised as employee costs	**346**	699

21. Provisions

	Group and Parent Company Vacated Property Provision	
	2012 £'000	2011 £'000
Balance at start of year	**3,499**	3,683
Additional provision in the year	**324**	1,870
Utilised in year	**(268)**	(955)
Provisions reversed during the year	**(1,801)**	(1,099)
Balance at end of year	**1,754**	3,499
Included in current liabilities	**359**	620
Included in non-current liabilities	**1,395**	2,879
	1,754	3,499

The vacated property provision relates to costs in respect of the vacation of properties and in particular the onerous lease and other commitments associated with the vacation of a property. Included within the provision is £183,000 in respect of possible recourse on leases transferred to the purchaser on the sale of the Belgian operation.

Provisions reversed during the year relate to leases which have been successfully exited on more favourable terms than previously anticipated.

The key area of uncertainty relates to the net future rental costs to be incurred on vacated properties and, in particular, whether the properties can be sublet until lease exit. The provision assumes that subletting is unlikely in the current climate. For shops, the provision is expected to be substantially utilised within three years such that the impact of discounting would not be material. For bakeries, the period over which the provision will be utilised is less certain and the provision is discounted over an appropriate period.

22. Capital and reserves

Share capital and share premium

	Ordinary shares	
	2012 Number	2011 Number
In issue and fully paid at start of year – ordinary shares of 2p	**101,155,901**	101,155,901
Purchased and cancelled	–	–
In issue and fully paid at the end of the year – ordinary shares of 2p	**101,155,901**	101,155,901

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.

Capital redemption reserve

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

Notes to the consolidated accounts

for the 52 weeks ended 29 December 2012 (2011: 52 weeks ended 31 December 2011) (continued)

22. Capital and reserves continued

Own shares held

Deducted from retained earnings is £4,994,000 (2011: £8,618,000) 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 946,018 shares (2011: 1,929,034 shares) with a market value at 29 December 2012 of £4,311,950 (2011: £9,861,000) 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 Performance Share Plan 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:

	2012 Per share pence	2011 Per share pence
2010 final dividend	–	12.7p
2011 interim dividend	–	5.8p
2011 final dividend	**13.5p**	–
2012 interim dividend	**6.0p**	–
	19.5p	18.5p

The proposed final dividend in respect of 2012 amounts to 13.5 pence per share (£13,441,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2012 £'000	2011 £'000
2010 final dividend	–	12,528
2011 interim dividend	–	5,758
2011 final dividend	**13,432**	–
2012 interim dividend	**5,974**	–
	19,406	18,286

23. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2012 £'000	2011 £'000
Less than one year	**41,195**	39,076
Between one and five years	**95,892**	97,089
More than five years	**21,584**	26,060
	158,671	162,225

The Group leases the majority of its shops under operating leases. The leases typically run for a period of ten 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, title does not pass for the land or building. 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 land or building it is judged that substantially all the risks and rewards of the land and 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 29 December 2012, the Group entered into contracts to purchase property, plant and equipment for £717,000 (2011: £4,677,000). 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

There have been no transactions between the Company and its subsidiaries during the year (2011: £nil).

Trading transactions with subsidiaries – Parent Company

	Amounts owed to related parties		Amounts owed by related parties	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Dormant subsidiaries	**7,807**	7,807	**–**	–

The Greggs Foundation is also a related party and during the year the Company made a donation to the Greggs Foundation of £650,000 (see Social Responsibility on pages 18 to 21).

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)	
	2012 (or date of cessation if earlier)	2011 (or date of appointment if later)	**2012 (or date of cessation if earlier)**	2011 (or date of appointment if later)
Kennedy McMeikan	**82,873**	72,425	**–**	–
Richard Hutton	**55,413**	55,003	**1,650,000**	1,650,000
Raymond Reynolds	**52,850**	52,440	**–**	–
Derek Netherton (Non-Executive)	**11,946**	11,946	**–**	–
Bob Bennett (Non-Executive) (resigned 16 May 2012)	**–**	–	**–**	–
Julie Baddeley (Non-Executive)	**3,000**	3,000	**–**	–
Roger Whiteside (Non-Executive)	**12,253**	12,253	**–**	–
Iain Ferguson (Non-Executive)	**10,000**	10,000	**–**	–
Ian Durant (Non-Executive)	**1,950**	1,950	**–**	–

Details of Directors' share options, emoluments, pension benefits and other non-cash benefits can be found in the Directors' Remuneration Report on pages 37 to 51. Total remuneration is included in personnel expenses (see Note 5).

There have been no changes since 29 December 2012 in the Directors' interests noted above, other than the appointment of Roger Whiteside as Chief Executive on 4 February 2013 and the resignation of Kennedy McMeikan as a Director on 8 March 2013.

Ten-year history

	2003	2004^ (as restated)*	2005	2006 [1]	2007 [2]	2008 [3]	2009^	2010	2011[4]	2012 [5]
Turnover (£'m)	457.0	504.2	533.4	550.8	586.3	628.2	658.2	662.3	701.1	734.5
Total sales growth (%)	8.1%	10.3%^	5.8%^	3.3%	6.4%	7.1%	4.8%^	0.6%^	5.8%	4.8%
Like-for-like sales growth (%)	3.3%	5.1%	4.0%	0.5%	5.3%	4.4%	0.8%	0.2%	1.4%	(2.7%)
Earnings before interest and tax ('EBIT') excluding exceptional items (£'m)	39.2	45.8	47.1	42.2	47.7	44.3	48.4	52.4	53.0	51.8
EBIT margin excluding exceptional items (%)	8.6%	9.1%	8.8%	7.7%	8.1%	7.1%	7.4%	7.9%	7.6%	7.1%
Profit on ordinary activities including exceptional items and before taxation (£'m)	40.5	47.8	50.2	40.2	51.1	49.5	48.8	52.5	60.5	53.3
Diluted earning per share excluding exceptional items (pence)‡	22.8	26.8	27.9	26.2	32.0	30.6	34.0	37.3	38.8	39.0
Dividend per share (pence)‡	8.0	9.6	10.6	11.6	14.0	14.9	16.6	18.2	19.3	19.5
Shareholders' funds (£'m)	134.2	157.2	181.5	144.9	145.6	147.9	164.2	176.2	198.4	226.8
Capital expenditure (£'m)	32.4	25.1	41.7	30.0	42.3	40.8	30.3	45.6	59.1	46.9
Number of shops in operation at year end	1,231	1,263	1,319	1,336	1,368	1,409	1,419	1,487	1,571	1,671

* Restated for the transition to IFRSs.
^ 2004 and 2009 were 53 week years, impacting on total sales growth for that year and the year immediately following.
‡ All years prior to 2009 adjusted to take account of the ten for one share split which took place during 2009.

Exceptional items
1 Includes £3.5m Bakers Oven Restructuring costs.
2 Includes one-off property gains of £2.2m.
3 Includes £4.3m exceptional credit.
4 Includes £7.4m exceptional credit (£9.6m pension credit offset by £2.2m bakery closure charges).
5 Includes £1.4m exceptional credit.

Financial Calendar

Announcement of Results and Dividends

Half year	Early August
Full year	March

Dividends

Interim	Mid-October
Final	24 May 2013
Annual Report posted to shareholders	Early April
Annual General Meeting	15 May 2013

Secretary and Advisers

Secretary
Jonathan D Jowett, LL.M. Solicitor

Registered Office
Fernwood House
Clayton Road
Jesmond
Newcastle upon Tyne
NE2 1TL

Registered number
502851

Bankers
National Westminster Bank Plc
149 High Street
Gosforth
Newcastle upon Tyne
NE3 1HA

Auditors
KPMG Audit Plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Stockbrokers
UBS
1 Finsbury Avenue
London
EC2M 2PA

Nplus1 Brewin LLP
Time Central
Gallowgate
Newcastle upon Tyne
NE1 4SR

Solicitors
Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne
NE1 4BF

Registrars
Capita Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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