GREGGS The home of fresh baking™

16 March 2011

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 1 JANUARY 2011

Greggs is the leading bakery retailer in the UK,
with over 1,480 retail outlets throughout the country,
serving freshly baked products to six million customers each week

ANOTHER YEAR OF GOOD PROGRESS

- Record pre-tax profit: up 7.9% to £52.5m (2009: £48.8m)
- Sales up 2.1%* to £662m: like-for-like sales up 0.2%
- Record numbers of new shop openings and refits: net addition of 68 new shops
- Diluted earnings per share up 9.7% to 37.3p (2009: 34.0p)
- Dividend per share up 9.6% to 18.2p: 26th consecutive year of dividend growth

* compared with the equivalent 52 week period in 2009

"In 2010 we grew sales and achieved record profits despite the tough trading conditions across the UK. I am delighted that we've made Greggs accessible to many more customers through our new shop opening programme, bringing them the great value, freshness and quality that our existing customers already enjoy.

"Whilst 2011 will see further pressures on consumer spending and rising global commodity prices our strong value positioning, excellent products, outstanding staff and clear strategy for growth mean that we are well positioned to deal with this challenging environment.

"In addition to opening around 80 net new shops in the year ahead we are planning for marginally positive like-for-like sales growth. Performance in the year to date is in line with our expectations with total sales increasing by 3.8 per cent including like-for-like sales of 0.4 per cent."

- Kennedy McMeikan, Chief Executive

ENQUIRIES:

Greggs plc
Ken McMeikan, Chief Executive
Richard Hutton, Finance Director
Tel: 020 7796 4133 on Wednesday 16 March only
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High resolution images are available for the media to view and download from http://corporate.greggs.co.uk/media-download

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 1 JANUARY 2011

Greggs is the leading bakery retailer in the UK, with over 1,480 retail outlets throughout the country, serving freshly baked products to six million customers each week

CHAIRMAN'S STATEMENT

I am pleased to report another year of good progress. We have delivered record profits and a record number of new shop openings. We are delighted to be able to reflect this success by increasing our dividend to shareholders for the 26th consecutive year as well as continuing to reward our people through our long-established profit sharing scheme.

Results

Total Group sales for the 52 weeks ended 1 January 2011 were £662 million, an increase of 2.1 per cent compared with the equivalent 52 week period in 2009. Like-for-like sales grew by 0.2 per cent. Compared with our turnover of £658 million in the 53 weeks ended 2 January 2010, the increase in total sales was 0.6 per cent.

Operating profit grew by 8.1 per cent to £52.4 million (2009: £48.4 million) reflecting an improvement in operating margin to 7.9 per cent (2009: 7.4 per cent). After net finance income of £0.2 million (2009: £0.3 million) pre-tax profit increased by 7.7 per cent to £52.5 million (2009: £48.8 million). There were no exceptional items during either year.

The Group's effective tax rate for the year was 27.8 per cent (2009: 29.5 per cent), reflecting positive settlement of outstanding capital allowance claims and the impact of the Government's reduction in the Corporation Tax rate to 27 per cent on our deferred tax balances. Diluted earnings per share were 37.3 pence (2009: 34.0 pence), an increase of 9.7 per cent which reflected the benefits of the lower tax charge and our share buyback programme.

Dividend and share buyback

The Board recommends an increased final dividend of 12.7 pence per share (2009: 11.4 pence). Together with the interim dividend of 5.5 pence (2009: 5.2 pence), paid in October 2010, this makes a total for the year of 18.2 pence (2009: 16.6 pence), an increase of 9.6 per cent. This is covered 2.0 times (2009: 2.0 times) by diluted earnings per share.

Subject to the approval of the Annual General Meeting, the final dividend will be paid on 20 May 2011 to shareholders on the register on 26 April 2011.

We are proud to maintain our exceptional record of dividend growth for the 26th consecutive year since Greggs floated on the stock market in 1984. The Board remains committed to pursuing a progressive dividend policy that pays due regard to the growth of earnings per share over the medium term, the cash generative nature of our growing business and our continuing determination to deliver value to our shareholders.

During the year we purchased for cancellation 2,834,569 shares at an average price of £4.51 and a total cost of £12.9 million, in line with the plans we announced in March 2010. The business remains strongly cash generative and we ended the year with net cash and short term investments of £23.8 million (2009: £34.6 million) on the balance sheet.

Taken together, the cash return to shareholders through buybacks and dividends paid in 2010 was £29.9 million.

The Board

We welcome Jonathan Jowett, who joined Greggs in April 2010 and took over as Company Secretary at our AGM in May. I would like to take this opportunity to thank Andrew Davison of Muckle LLP for his service as Company Secretary since 1995, and I am delighted that he is continuing his long association with Greggs as Chairman of the trustees of the Greggs Foundation and as a pension trustee.

People

I cannot thank our staff enough for the enthusiasm and passion that they display throughout the business, with our customers and in the support that they give to the wider community.

I am delighted that 16,800 qualifying employees are sharing in a record £5.8 million through our long-established profit sharing scheme in recognition of the efforts they have all made to deliver record results under very challenging trading conditions.

Ian Gregg and Mike Darrington

We are delighted that our former Chairman Ian Gregg and former Group Managing Director Sir Michael Darrington are both to be honoured with Doctorates of Civil Law.

Newcastle University is to recognise Ian for his outstanding contributions in building this business and establishing its strong commitment to social responsibility, notably through the introduction of our profit sharing scheme in 1985 and the establishment of the Greggs Foundation in 1987.

Northumbria University is to honour Sir Michael Darrington for his outstanding contribution to the food industry and business ethics. We congratulate Ian and Mike on these well-deserved honours.

Prospects

The growth opportunities for Greggs across the UK remain significant and our plans to open at least 600 new shops are well on track. Our investment in an even more efficient supply chain continues to make good progress and will support our accelerated growth.

2011 will present some significant challenges to UK retailers given the prevailing economic environment. However, I believe that our reputation for great value, the growing benefits of our move to a centrally run business and our cash-generative model mean that we are well placed to make progress despite these challenges.

The strategy that we set out in 2009 has been the basis of our record results in 2010. Our programme of accelerated expansion has progressed ahead of our original plan, delivering a record 68 net new shops and making Greggs accessible to more customers across the UK. All of this gives me confidence in Greggs' long term prospects as we continue to pursue our proven strategy for growth.

Derek Netherton
Chairman
16 March 2011

CHIEF EXECUTIVE'S REPORT

Record numbers of shop openings and investment in refurbishments, including the roll-out of our new shop design, is making the shopping experience even more accessible and enjoyable for both new and existing customers. Our focus on great value ensures that we are well positioned for the harsh times prevailing in the wider economy, while our drive to improve efficiency has continued to deliver profitable growth for the benefit of all stakeholders in the business.

Trading performance

Despite the tough trading conditions facing high streets across the UK in 2010 we grew total sales by 2.1 per cent compared with the equivalent 52 week period in 2009, including a 0.2 per cent increase in like-for-like sales. Trading grew more difficult in the second half of the year, and particularly in the final quarter, not helped by heavy snowfalls across the country in November and December.

Whilst UK consumers continue to experience a very testing climate, one certainty is that they will increasingly seek out great value, for which Greggs has a very strong reputation. We have continued to listen to our customers' needs and responded by providing them with exceptional promotions such as our breakfast meal deal offering coffee or tea combined with bacon or sausage in a roll. At only £1.99 this represents outstanding value compared with other food-on-the-go retailers and we have now sold more than 10 million breakfast rolls since they were launched.

We also recognised that there was an opportunity to strengthen our offer in the growing breakfast market and have now extended our breakfast offer to include porridge, croissants, pain au chocolat, fruit smoothies, and cheese and bacon wraps, and made this the focus of our current marketing campaign for Greggs as "The home of fresh baking".

Another feature of the year was the strong growth of hot drinks as we rolled out more coffee machines serving freshly ground Fairtrade coffee. Great quality coffee at a price some 40 per cent below that of branded coffee operators is proving increasingly popular with our customers. This is now available in 1,100 of our shops and we will complete the roll out in 2011.

During the year we were delighted to receive a number of awards, including being voted Best Bakery and Sandwich Chain in Best Magazine's British Food Awards, while our mince pies were named the UK's best by Woman magazine.

Growing margins

Our operating margin increased by 0.5 per cent compared with that in 2009 which was affected by the additional costs of a 53rd week. Other key drivers of our improved performance in 2010 included:

- supply chain savings from implementation of our strategy;
- improved scheduling of labour and a reduction in shop waste;
- better buying; and

- a full year's benefit from our actions in 2009 to reorganise the business, harmonise our product range and create a single brand.

Our shops

During 2010 we broke our previous records for the numbers of both net shop openings and shop refits. We opened a total of 93 new shops, delivering a net increase of 68 after 25 closures, and giving us a total of 1,487 shops at 1 January 2011.

We have a healthy pipeline of new shops coming through and expect to add approximately 80 net new shops in the course of 2011. The current property market conditions have increased the availability of more attractive sites and are encouraging landlords to take a more realistic view on rents.

We completed 135 shop refurbishments in 2010, including 28 using our new shop design. In the current year we will extend these new design refits outside the London area with plans to refit a total of 60 across the UK in 2011. We have seen good returns on capital for our refits in 2010 and we plan to increase the total number of shop refits to 160 during 2011.

Our supply chain

One of our unique points of difference is that we make the majority of the food we sell. As bakers we are at the very heart of producing our food and therefore much closer than most of our competitors to the source of origin of our products. We use our bakery skills and expertise to make great tasting food that offers our customers great value.

Supplying the majority of our own food means we are closer to the ingredients and recipes and are passionate about the quality of the products we make. This difference means that we know what's happening with our food right through from 'wheat to eat'.

The flexibility and controls that result from having our own supply chain are significant strengths that we are continuing to build on. Over the course of 2010 we have continued to improve our supply chain efficiency and this has allowed us to increase the number of shops that can be supplied from our existing bakeries. In 2009 we outlined a five year plan to reduce the cost of supply to our shops by £10 million. Through consolidation of manufacturing into centres of excellence and investment in more efficient processes we delivered savings of £1.4 million in 2010, ahead of our original plan.

Construction of our new bakery at Balliol Park in Newcastle upon Tyne is progressing well. The new facility will be open and fully operational in the second half of 2011, increasing standards, efficiency and capacity when compared with our old Newcastle bakery. We currently anticipate that this relocation may result in a £1 million one off charge in 2011. Building has also started at our new centre of excellence for confectionery at Penrith, which is due to become operational in September 2011.

We have also secured land and planning permission to construct a new bakery in Wiltshire to support our future growth plans in the South West.

New operating structure

2010 was our first full year with our new central structure in place. This has enabled increased capacity to open new shops, greater speed in reacting to market conditions, tighter cost controls, efficiency savings and simplicity in running our business.

We have benefited from economies of scale in purchasing and have reduced cost through harmonising work practices in our supply chain. Our marketing campaigns have increased in impact and cost effectiveness as the adoption of a single national brand means that they now benefit all our shops.

In the coming year there is more scope to improve our business even further and we have embarked on three major change programmes in order to drive sales and reduce costs.

Capital expenditure

Our total capital expenditure in 2010 was £45.6 million (2009: £30.3 million) reflecting our accelerated rate of new shop openings and refits, and the commencement of investment in our supply chain to support future growth. In 2011 we plan to increase capital expenditure to around £60 million, as we further accelerate the rate of new shop openings, around half of which are likely to be in the new shop design, complete even more refurbishments and undertake the major phase of investment in our new Newcastle and Penrith bakeries. This investment programme reflects our strong confidence in the future prospects of the business, and will be funded from our own cash flow.

Corporate Social Responsibility

I am really proud that in 2010 our people have been outstanding once again at going that extra mile to do more for those who are less fortunate. We are also blessed with fantastic customers whose generosity during very difficult times is remarkable. For this I would like to thank our people and our customers so much for everything that they do to make such a difference to other people's lives. As an example of this we raised an amazing £904,850 for the BBC Children in Need appeal during 2010, and also made significant donations to the Haiti and Pakistan disaster appeals.

The community. The Greggs Breakfast Clubs are now in their eleventh year of operation, providing primary school children in disadvantaged areas with free, nutritious breakfasts each day. We supply fresh bread from our local shops for toast, along with funding for cereals, fruit and equipment. By developing partnerships with other companies we were able to exceed our target of reaching 150 Breakfast Clubs in 2010, and by the end of the year we had a total of 161, feeding more than 7,000 children each day. The success of the Clubs now being supported by other organisations, using the Greggs model, has encouraged us to set a new goal of expanding to 300 Breakfast Clubs as quickly as suitable partnerships can be developed.

The Greggs operating board also made a fantastic effort to raise money for charity, with all its members taking part in The Great Bakery Bike Ride, which attracted nearly 100 participants and raised £90,000 in aid of Children in Need and Greggs Breakfast Clubs.

Our Finance Director Richard Hutton, along with Robin Leaver and Paul Ryan, covered a remarkable 900 miles in 10 days.

During the year we were honoured to receive a Gold award in the Health & Wellbeing category of The Food and Drink Federation Community Partnership Awards.

The Greggs Foundation has continued its outstanding work, giving a record £1.4 million in grants to charitable and community organisations in the areas where we operate. In 2010 we launched the first Foundation Week in our shops, which raised £66,000 in support of these initiatives. I continue to be hugely impressed with the Greggs Foundation and the great work it does across the UK.

Our food. We removed all artificial colours, HVOs (hydrogenated vegetable oils) and added trans fats from our own products by the end of 2009. Last year we removed artificial flavours from the majority of our products and work is continuing to remove them completely. We have worked relentlessly to try and ensure that in making these changes our customers do not experience any change in the great taste of the products they love.

The environment. We have made significant progress in reducing the amount of food waste sent to landfill and achieved a 36 per cent reduction in the year. Following the installation of smart meters designed to facilitate better monitoring and control of our energy usage we have achieved a reduction in overall energy consumption as measured on a per shop basis. The Greggs Foundation has continued to provide support of £50,000 per annum to the Community Foundation's innovative LEAF project, which makes grants to charitable organisations to encourage people to take action on global environmental issues and to promote sustainable living.

Corporate Social Responsibility has always been important to Greggs and is deeply rooted in our culture. I am grateful to all our people for their continued determination to put something back into the communities where we operate, and congratulate them on their achievements during the year.

These and other issues will be covered in greater depth in our Corporate Social Responsibility Report in the annual report.

Our people

I am profoundly grateful to our people for everything they do to serve our customers each day. There could be no better illustration of the extraordinary spirit and commitment of our people than the example of the shop manager in Scotland who was so determined to open her shop during the severe snow in December that she walked 14 miles to get there and ended the working day by walking another 14 miles home. At the same time workers who were unable to get home slept in our bakeries in order to keep our supply chain functioning for our customers.

I am particularly pleased that this year our staff are sharing a record £5.8 million through our profit sharing scheme, which has been distributing 10 per cent of our profits each year since its inception in 1985.

Outlook for 2011

The year ahead will continue to be challenging with rising global commodity prices being reflected in significant upward pressure on many of the key ingredient costs of all food producers. However, we expect to continue making Greggs even more efficient and as part of this we are dedicating resources to identify and unlock further cost savings throughout the business.

Total sales in the year ahead will benefit from a growing contribution from new selling space as our expansion programme accelerates, with the opening of around 80 net new shops during the year, financed from our own strong cash flow. In addition to the total sales growth I believe marginally positive like-for-like growth during the year is achievable. Performance in the year to date is in line with our expectations, with total sales for the 10 weeks ended 12 March 2011 increasing by 3.8 per cent, including like-for-like sales of 0.4 per cent. Whilst profits in the first half will have to bear the impact of additional bank holidays when compared to 2010 we expect the year as a whole to be one of further progress for Greggs.

Greggs has a clear vision: “to be the number one for sandwiches and savouries from a united team who are passionate about being the best in bakery”. By virtue of its strong value positioning, excellent products, outstanding staff and clear strategy for growth, with increasing investment in our shops and supply chain funded from our own cash flow I believe that Greggs is well placed for the challenges ahead. I look forward to giving consumers greater choice by opening more shops across the UK, and to Greggs continuing to make a strong contribution to society as a whole through adherence to our long-established family values.

Kennedy McMeikan
Chief Executive
16 March 2011

Greggs plc
Consolidated income statement
for the 52 weeks ended 1 January 2011 (2009: 53 weeks ended 2 January 2010)

	2010	2009
	£'000	£'000
Revenue	**662,326**	658,186
Cost of sales	**(252,651)**	(252,284)
Gross profit	**409,675**	405,902
Distribution and selling costs	**(321,261)**	(321,686)
Administrative expenses	**(36,049)**	(35,783)
Operating profit	**52,365**	48,433
Finance income	**158**	346
Profit before tax	**52,523**	48,779
Income tax	**(14,589)**	(14,405)
Profit for the financial year attributable to equity holders of the parent	**37,934**	34,374
	=======	=======
Basic earnings per share	**37.8p**	34.1p
Diluted earnings per share	**37.3p**	34.0p

Consolidated statement of comprehensive income
for the 52 weeks ended 1 January 2011 (2009: 53 weeks ended 2 January 2010)

	Group	
	2010	2009
	£'000	£'000
Profit for the financial year	**37,934**	34,374
Other comprehensive income		
Actuarial gains / (losses) on defined benefit pension plans	**2,881**	(6,920)
Tax on items taken directly to equity	**(778)**	1,938
Other comprehensive income for the financial year, net of income tax	**2,103**	(4,982)
Total comprehensive income for the financial year	**40,037**	29,392
	=======	=======

Greggs plc
Balance sheet at 1 January 2011 (2009: 2 January 2010)

	Group	
	2010	2009
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets	**433**	579
Property, plant and equipment	**226,150**	211,155
	226,583	211,734
Current assets		
Inventories	**11,883**	11,886
Trade and other receivables	**22,309**	21,206
Cash and cash equivalents	**20,790**	34,619
Other investments	**3,000**	-
	57,982	67,711
Total assets	**284,565**	279,445
LIABILITIES		
Current liabilities		
Trade and other payables	**(70,246)**	(71,738)
Current tax liabilities	**(6,282)**	(8,857)
Provisions	**(1,018)**	(857)
	(77,546)	(81,452)
Non-current liabilities		
Other payables	**(8,439)**	(8,830)
Defined benefit pension liability	**(8,764)**	(12,332)
Deferred tax liability	**(10,924)**	(9,298)
Long term provisions	**(2,665)**	(3,296)
	(30,792)	(33,756)
Total liabilities	**(108,338)**	(115,208)
Net assets		
	176,227	164,237
	=======	=======
EQUITY		
Capital and reserves		
Issued capital	**2,023**	2,080
Share premium account	**13,533**	13,533
Capital redemption reserve	**416**	359
Retained earnings	**160,255**	148,265
Total equity attributable to equity holders of the parent	**176,227**	164,237
	=======	=======

Greggs plc
Statement of changes in equity
for the 52 weeks ended 1 January 2011 (2009: 53 weeks ended 2 January 2010)

53 weeks ended 2 January 2010

	Attributable to equity holders of the Company				
	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 28 December 2008	2,080	13,533	359	131,975	147,947
Total comprehensive income for the year					
Profit for the financial year	-	-	-	34,374	34,374
Other comprehensive income	-	-	-	(4,982)	(4,982)
Total comprehensive income for the year	-	-	-	29,392	29,392
Transactions with owners, recorded directly in equity					
Sale of own shares	-	-	-	1,182	1,182
Share-based payment transactions	-	-	-	982	982
Dividends to equity holders	-	-	-	(15,339)	(15,339)
Tax items taken directly to reserves	-	-	-	73	73
Total transactions with owners	-	-	-	(13,102)	(13,102)
Balance at 2 January 2010	2,080	13,533	359	148,265	164,237
	=======	=======	=======	=======	=======

52 weeks ended 1 January 2011

	Issued capital	Share premium	Capital redemption reserve	Retained earnings	Total
Balance at 3 January 2010	**2,080**	**13,533**	**359**	**148,265**	**164,237**
Total comprehensive income for the year					
Profit for the financial year	**-**	**-**	**-**	**37,934**	**37,934**
Other comprehensive income	**-**	**-**	**-**	**2,103**	**2,103**
Total comprehensive income for the year	**-**	**-**	**-**	**40,037**	**40,037**
Transactions with owners, recorded directly in equity					
Shares purchased and cancelled	**(57)**	**-**	**57**	**(12,864)**	**(12,864)**
Sale of own shares	**-**	**-**	**-**	**734**	**734**
Share-based payment transactions	**-**	**-**	**-**	**642**	**642**
Dividends to equity holders	**-**	**-**	**-**	**(17,061)**	**(17,061)**
Tax items taken directly to reserves	**-**	**-**	**-**	**502**	**502**
Total transactions with owners	**(57)**	**-**	**57**	**(28,047)**	**(28,047)**
Balance at 1 January 2011	**2,023**	**13,533**	**416**	**160,255**	**176,227**
	=======	**=======**	**=======**	**=======**	**=======**

Greggs plc
Statement of cashflows
for the 52 weeks ended 1 January 2011 (2009: 53 weeks ended 2 January 2010)

	Group	
	2010	2009
	£'000	£'000
Operating activities		
Cash generated from operations (see below)	**77,826**	87,944
Income tax paid	**(15,814)**	(14,731)
Net cash inflow from operating activities	**62,012**	73,213
Investing activities		
Acquisition of property, plant and equipment	**(44,672)**	(30,296)
Proceeds from sale of property, plant and equipment	**815**	2,368
Interest received	**158**	346
Acquisition of other investments	**(3,000)**	-
Net cash outflow from investing activities	**(46,699)**	(27,582)
Financing activities		
Sale of own shares	**734**	1,182
Shares purchased and cancelled	**(12,864)**	-
Dividends paid	**(17,061)**	(15,339)
Government grants received	**49**	1,087
Net cash outflow from financing activities	**(29,142)**	(13,070)
Net (decrease) / increase in cash and cash equivalents	**(13,829)**	32,561
Cash and cash equivalents at the start of the year	**34,619**	2,058
Cash and cash equivalents at the end of the year	**20,790**	34,619
	=======	=======

Cash flow statement – cash generated from operations

	2010	2009
	£'000	£'000
Profit for the financial year	**37,934**	34,374
Amortisation	**146**	107
Depreciation	**28,965**	27,218
Impairment	**-**	-
Loss on sale of property, plant and equipment	**869**	10
Release of government grants	**(437)**	(228)
Share based payment expenses	**642**	982
Finance income	**(158)**	(346)
Income tax expense	**14,589**	14,405
Decrease in inventories	**3**	266
(Increase) / decrease in receivables	**(1,103)**	1,492
(Decrease) / increase in payables	**(2,467)**	11,103
Decrease in pension liability	**(687)**	(321)
Decrease in provisions	**(470)**	(1,118)
Cash from operating activities	**77,826**	87,944
	=======	=======

Notes:

1. Basis of preparation and accounting policies

The preliminary announcement has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. It does not include all the information required for full annual accounts.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 1 January 2011 or 2 January 2010. Statutory accounts for the 53 weeks ended 2 January 2010 have been delivered to the registrar of companies, and those for the 52 weeks ended 1 January 2011 will be delivered in due course. The auditor has reported on those accounts; the audit reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the year ended 2 January 2010, which are available on the Company's website www.greggs.co.uk, with the exception of the following standards, amendments and interpretations which became effective during the year and were adopted by the Group:

Amendments to IAS 39 *Financial instruments: Recognition and Measurement: Eligible Hedged Items*
Revised IFRS 3 *Business Combinations*
Amendments to IAS 27 *Consolidated and Separate Financial Statements*

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

2. Segment 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 comprise the profit and loss account for the company as a whole.

Throughout 2009 and 2010 the Group has progressively been reorganised into a centrally managed business with an integrated supply chain. During 2009 the Group's 11 operating divisions were reorganised into seven retail regions, each reporting to the Group Retail Director. These retail regions, and their predecessor divisions, have similar economic characteristics, products, customers and production and distribution methods and have therefore been aggregated into a single reportable segment. The segment results, as reported to the chief operating decision maker, are calculated under the principles of IFRS.

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

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

Geographical areas - 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 financial statements no additional numerical disclosures are necessary.

3. Taxation

	2010	2009
	£'000	£'000
Current tax expense		
Current year	**16,200**	16,410
Adjustment for prior years	**(2,961)**	(1,157)
	13,239	15,253
Deferred tax expense		
Origination and reversal of temporary differences	**(222)**	(1,299)
Adjustment for prior years	**1,572**	451
	1,350	(848)
Total income tax expense in income statement	**14,589**	14,405
	=======	=======

4. Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 1 January 2011 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 1 January 2011 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 1 January 2011 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 1 January 2011 as calculated below.

Profit attributable to ordinary shareholders

	2010	2009
	£'000	£'000
Profit for the financial year attributable to equity holders of the parent	**37,934**	34,374
	=======	=======
Basic earnings per share	**37.8p**	34.1p
Diluted earnings per share	**37.3p**	34.0p

Weighted average number of ordinary shares

	2010	2009
	Number	Number
Issued ordinary shares at start of year	**103,990,470**	103,990,470
Effect of own shares held	**(2,753,645)**	(3,170,821)
Effect of shares purchased and cancelled	**(959,689)**	-
Weighted average number of ordinary shares during the year	**100,277,136**	100,819,649
Effect of share options on issue	**1,326,346**	427,864
Weighted average number of ordinary shares (diluted) during the year	**101,603,482**	101,247,513
	=========	=========

5. Dividends

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

	2010 Per share pence	2009 Per share pence
2008 final dividend *	**-**	10.0p
2009 interim dividend	**-**	5.2p
2009 final dividend	**11.4p**	-
2010 interim dividend	**5.5p**	-
	16.9p	15.2p
	=======	=======

*This amount has been restated to reflect the ten for one share split which took place during 2009.

The proposed final dividend in respect of 2010 amounts to 12.7 pence per share (£12,847,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2010 £'000	2009 £'000
2008 final dividend	**-**	10,097
2009 interim dividend	**-**	5,242
2009 final dividend	**11,553**	-
2010 interim dividend	**5,508**	-
	17,061	15,339
	=======	=======

6. Retirement benefit obligation

Inflationary growth assumptions

In July 2010 the UK Government announced its intention to pass legislation amending the statutory revaluation of pension scheme benefits and increases to pensions in payment under defined benefit pension schemes from RPI to CPI measures. A change to CPI would affect the Group's defined benefit scheme by reducing the deficit and therefore the net liability recognised in the balance sheet. After reviewing UITF Abstract 48 the directors believe that no adjustment is appropriate at 1 January 2011. The Directors have continued to apply prudent assumptions in relation to benefit increases.

7. Related party transactions

The Group has a related party relationship with its subsidiaries and its directors and executive officers.

There have been no related party transactions in the year which have materially affected the financial position or performance of the Group.

8. Principal risks and uncertainties

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

Organisational

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

External factors

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

Operational

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

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

Policies and Procedures

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

Health and Safety

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

Financial Reporting

The Company has in place a strong financial control environment. The Company's financial control procedures are set out in its Accounting Manual and are designed to ensure that assets are well-protected, authority levels for expenditure are clear, 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 independent inspection by the Company's internal audit team. A comprehensive budgeting process ensures that there are clear and stretching plans for all areas of the business and performance against these plans is reported weekly and monthly to the Company's Operating Board. Members of the finance team work alongside Operating Board Directors and their functional teams to highlight performance issues and support achievement of financial objectives.

Whistle Blowing

The Company has "whistle blowing" procedures in place, which enable employees to bring matters to the attention of the senior management and for the confidential, proportionate and independent consideration and follow-up of any matter so raised. The "whistle blowing" procedures are reviewed regularly by the Audit Committee, and the Chairman of the Audit Committee is the first line recipient of any matters that are raised through this policy.