10th March 2009

GREGGS plc
PRELIMINARY RESULTS
FOR THE 52 WEEKS ENDED 27 DECEMBER 2008

KEY FINANCIALS

	Before property gains, restructuring costs and pension credit		After property gains, restructuring costs and pension credit	
	2008	Change YOY	2008	Change YOY
Sales	£628m	+7.1%	£628m	+7.1%
Operating profit	£44.3m	-7.2%	£48.6m	-2.6%
Pre-tax profit	£45.2m	-7.8%	£49.5m	-3.3%
Diluted earnings per share	306.1p	-4.3%	335.4p	-1.5%
Dividends per share	149.0p	+6.4%	149.0p	+6.4%

- 24th consecutive year of dividend growth
- Like-for-like sales up 4.4% despite increasingly difficult economic climate
- Smooth transition to new Chief Executive achieved
- Ten for one share split proposed
- Focus on simplifying the business in 2009

"This was a challenging year for Greggs, as we bore substantial increases in energy and ingredient costs in a period of fragile and declining consumer confidence. Our ability to achieve sustained like-for-like growth under these difficult conditions affirmed the fundamental strengths of the Greggs proposition; our reputation for quality, value and freshness is a great asset as consumers face tough times.

Total sales in the ten weeks to 7 March 2009 have increased by 3.2 per cent including like-for-like sales growth of 1.0 per cent. The first two weeks of February were significantly impacted by the snow that affected most of the UK. Excluding these two weeks like-for-like sales have increased by 2.9 per cent.

In the light of the general economic climate we have budgeted for only marginally positive like-for-like sales growth throughout 2009, and have planned our costs accordingly. Our performance in the year to date is in line with this plan. Although ingredient and energy costs remain high at present, we expect to see some benefit from these easing during the second half.

The plans to further centralise and simplify the business are progressing well and our finances remain robust. All this gives us confidence that Greggs is well placed to weather the challenges presented by the current economic climate, and to progress our plans for accelerated expansion from 2010."

- Derek Netherton, Chairman

ENQUIRIES:

Greggs plc
Ken McMeikan, Chief Executive
Richard Hutton, Finance Director
Tel: 020 7796 4133 on Tuesday, 10 March only
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Hudson Sandler
Wendy Baker / Michael Sandler
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High resolution images are available for the media to view and download from www.vismedia.co.uk

CHAIRMAN'S STATEMENT

This was a challenging year for Greggs, as we bore substantial increases in energy and ingredient costs in a period of fragile and declining consumer confidence. Our ability to achieve sustained like-for-like growth under these difficult conditions affirmed the fundamental strengths of the Greggs proposition; our reputation for quality, value and freshness is a great asset as consumers face tough times. During the year we achieved a smooth transition in the leadership of the Company and furthered our plans to simplify the business to prepare for accelerated expansion from 2010. Our cash-positive balance sheet and continuing cash generation mean that we are strongly placed to exploit the considerable opportunities for future growth.

Results

Total Group sales for the 52 weeks ended 27 December 2008 increased by 7.1 per cent to £628 million (2007: £586 million), including like-for-like sales growth of 4.4 per cent.

Operating profit, excluding one-off property gains, restructuring costs and an exceptional pension credit, was £44.3 million (2007: £47.7 million), a reduction of 7.2 per cent. Excluding the non-recurring items, operating margin was 7.1 per cent (2007: 8.1 per cent) as substantial increases in energy and ingredient costs were only partly recovered through increased selling prices in order to maintain our value proposition for customers. Finance income of £0.9 million (2007: £1.2 million) reflected lower average cash balances and the reduction in interest rates.

Profit before tax excluding property gains, restructuring costs and an exceptional pension credit, was £45.2 million (2007: £49.0 million), a reduction of 7.8 per cent.

The net exceptional credit includes a property profit of £1.0 million (2007: £2.2 million), principally relating to the disposal of a freehold development site in Scotland. As disclosed in the Interim Report, accounting standards also require that an exceptional credit of £7.0 million arising on the closure of our final salary scheme to further accrual in 2008 should be recognised in the profit and loss account. This curtailment item reflects a change to the actuarial assumption regarding inflation of member benefits and has been previously anticipated in our funding plans for the scheme. These items were partially offset by restructuring costs of £3.7 million relating to our decision to withdraw from our loss-making business in Belgium, and to the rebranding of the remaining Bakers Oven shops in the UK under the Greggs fascia.

Including this net exceptional credit for the year of £4.3 million (2007: £2.2 million) pre-tax profit was £49.5 million (2007: £51.1 million), a reduction of 3.3 per cent.

The Group tax charge for the year, at 31.1%, reverted to a more normal level after benefiting from one-off credits in 2007. This was reflected in our diluted earnings per share which, before the property gains, restructuring costs and exceptional pension credit, were 306.1 pence (2007: 319.9 pence) a reduction of 4.3 per cent. Including the non-recurring items in each year, diluted earnings per share were 335.4 pence (2007: 340.4 pence), a reduction of 1.5 per cent.

Dividend

The Board recommends a final dividend of 100 pence (2007: 94 pence) per share. Together with the interim dividend of 49 pence (2007: 46 pence), paid in October 2008, this makes a total for the year of 149 pence (2007: 140 pence), an increase of 6.4 per cent. This is covered 2.1 times (2007: 2.3 times) by diluted earnings per share before property gains, restructuring costs and the exceptional pension credit, in line with the board's stated policy.

Subject to the approval of the Annual General Meeting, the final dividend will be paid on 22 May 2009 to shareholders on the register at 24 April 2009.

It is the Board's intention to continue pursuing a progressive dividend policy going forward, paying due regard to the growth of earnings per share over the medium term, the cash generative nature of the business and our long-standing commitment to delivering value to our shareholders, reflected in our 24 consecutive years of dividend growth since Greggs floated on the stock market in 1984.

Share split

The board is proposing a share split whereby each existing ordinary share is divided into ten new shares. This is designed to make the Company's shares more accessible and appealing, particularly to small shareholders and our own employees. The proposed share split is subject to the approval of shareholders at the AGM on 13 May 2009.

Business highlights

Like-for-like sales increased by 5.1 per cent in the first half (24 weeks) and 3.9 per cent in the second half, which was affected by extremely poor weather throughout August and the first two weeks of September. Despite the increasing economic uncertainty and growing pressure on household budgets, we experienced only a modest reduction in customer visits and average transaction values. This reflected recognition of our strong value proposition and also the wide variety of locations in which we trade. Increasing numbers of our new shops are opening in places where our customers work or are on the move, and these are performing well. Good progress was made in what was the second year of our three-year programme to make the business more unified and centrally driven, and to raise the national profile of the Greggs brand. We announced in December that we intended to withdraw from our small, loss-making business in Belgium and that we would move to a single Greggs fascia through the rebranding of our Bakers Oven shops. Our new Chief Executive Ken McMeikan comments on our performance and strategy in more detail in his report.

The Board

Ken McMeikan joined the Board on 1 June 2008 and became Group Chief Executive on 1 August. He was previously Retail Director of J Sainsbury plc, which he joined in 2005 after 14 years in operational roles with Tesco. We are benefiting, as we expected, from his broad experience of food retailing, which has strengthened our excellent senior management team and is helping us to drive forward the development of Greggs as a more centrally driven and customer-focused national brand.

Sir Michael Darrington, who retired as Group Managing Director on 31 July 2008 after 25 years of distinguished service, will retire from the Board at our AGM in May. He was responsible for the growth and development of Greggs from a regional bakery business with 261 shops at flotation into a national market leader with almost 1,400 outlets throughout the country. We owe him a huge debt of gratitude for his clear vision and unflagging leadership over so many years, for his work with Ken McMeikan last year to ensure a smooth transition, and for his role as a non-executive director since August 2008.

People

Our people have continued to provide excellent, cheerful service to our customers while adjusting to considerable changes in the way we run the business and coping with the pressures of an increasingly difficult economic climate.

I would like to express the Board's appreciation to all 19,000 members of the Greggs team for their continued hard work and commitment to our success.

Corporate social responsibility

Greggs has always prided itself on its values, which underpin the way we treat our own people and the wider community. We remain totally committed to conducting our business in accordance with these principles, and I am pleased with the progress that the Board has made in setting challenging targets to improve our social and environmental performance still further. These will be set out in detail in the Corporate Social Responsibility section of our Annual Report.

Prospects

Total sales in the ten weeks to 7 March 2009 have increased by 3.2 per cent including like-for-like sales growth of 1.0 per cent. The first two weeks of February were significantly impacted by the snow that affected most of the UK. Excluding these two weeks like-for-like sales have increased by 2.9 per cent.

In the light of the general economic climate we have budgeted for only marginally positive like-for-like sales growth throughout 2009, and have planned our costs accordingly. Our performance in the year to date is in line with this plan. Although ingredient and energy costs remain high at present, we expect to see some benefit from these easing during the second half.

We will focus on emphasising to consumers our key messages about the great quality and affordability of our products, and the excellent value they represent, as we increase our focus on the development of Greggs as the nation's number one bakery brand. The plans to further centralise and simplify the business are progressing well and our finances remain robust. All this gives us confidence that Greggs is well placed to weather the challenges presented by the current economic climate, and to progress our plans for accelerated expansion from 2010.

Derek Netherton
Chairman
10 March 2009

CHIEF EXECUTIVE'S REPORT

I am delighted to have taken over the leadership of a business with such an impressive record of performing well for shareholders, customers, employees and the community as a whole. Since joining the Company in June I have visited all our bakeries and many of our shops, and have been greatly impressed by the calibre of our people and the friendly service they provide. Extensive customer research confirms that there is great potential to build on the fundamental strengths of Greggs. We have the opportunity to generate further growth by making our products even more relevant to consumers' needs, opening more shops across the UK and making Greggs even more accessible to consumers. We also have further opportunities to enhance the efficiency of the Group by making it simpler and even more cost-effective.

Trading performance

As the Chairman has noted, the achievement of like-for-like sales growth throughout 2008, in an increasingly difficult economic climate, underlined the resilience of Greggs. Our customers are not immune to the effects of recession, and the tightening of overall retail spending was undoubtedly a factor in the slowing of like-for-like sales growth from 5.1 per cent in the first half (24 weeks) to 3.9 per cent in the second, giving us a like-for-like increase of 4.4 per cent over the year as a whole. The exceptionally wet period in August and early September also had a significant impact, as lunchtime trade is the core of our business and we are sensitive to severe weather which deters consumers from venturing out from their workplaces or homes. Including new selling space, total sales increased by 7.7 per cent in the first half and 6.6 per cent in the second, making an increase of 7.1 per cent for the year.

Our profitability during 2008 came under pressure from substantial increases in a wide range of costs. As well as the direct impact on our production and distribution costs from soaring prices for gas, electricity and vehicle fuel, we felt the indirect effects of this inflation throughout our supply chain. The worldwide surge in commodity prices drove up the cost of many of our key ingredients, including flour, meats and dairy products while labour costs also increased ahead of general price inflation. We were able to offset some of these pressures by improving our efficiency and increasing selling prices, but we deliberately chose not to pass on all of the higher costs to consumers as we considered it essential to retain our value positioning at a time when our customers' own budgets were coming under increasing pressure.

Initial review

After joining the business I completed an initial review of our operations and strategy and was much encouraged by Greggs' established strengths, and excited by the potential. The Greggs brand inspires great loyalty based on its reputation for taste, freshness, quality, value and friendly service. We can build on this by exploiting opportunities to improve our range, service and availability to customers even further, by enhancing efficiency and by driving the future growth of Greggs throughout the UK. During 2009 our priority will be to simplify the business to ensure that we are prepared for accelerated growth and expansion from 2010 onwards.

Simplifying the business

My initial review also concluded that the pace of our plans to make Greggs simpler could be increased and this will be our priority in 2009. The key initiatives are:

Creating a single brand. The adoption of a single Greggs brand throughout the UK by converting our Bakers Oven shops will enable the whole business to benefit from our national brand advertising, on TV and elsewhere, and increase our ability to leverage our buying capability.

Bakers Oven shops have in-store bakeries that will allow us to expand into parts of the country that previously were not accessible without investment in a central bakery. Our customers will also benefit from seated catering as well as the freshness of our in-store bakery offer.

Withdrawing from Belgium. Our 10 shops in Belgium have been loss making over the past 5 years and we concluded that the achievement of a break-even position was both too distant and an unnecessary distraction when there are considerably greater opportunities for profitable growth within the UK. We therefore announced our intention to withdraw from the Belgian market in December, and have subsequently agreed a sale of the business to Foodmakers NV, a Belgian retail business. Our experience in Belgium has generated much valuable learning, and overseas expansion still remains an option for Greggs in the longer term.

The one-off restructuring charge of £3.7 million shown in the accounts reflects our expected exit costs from Belgium, the costs of closing two Bakers Oven shops in January 2009 which were not suitable for conversion to Greggs, and an increase in previously disclosed provisions for the restructuring of Bakers Oven in the North and Scotland to reflect the worsening property market.

Simplifying decision-making. When I joined the business it was already into the second year of a three-year programme designed to change Greggs from a decentralised divisional business into a unified company. Central teams had been created to drive such areas as Retail, Marketing and Supply Chain, and the business was beginning to benefit from the adoption of this more unified approach. My review identified further opportunities to simplify our product range and supply chain, as outlined in more detail below. I am pleased with the progress that has already been made and during 2009 we will put further structural changes in place to enable the business to be even more centrally driven.

Our customers

Customers are the starting point for everything we do, and we are proud to serve around a million of them a day in over 1,400 shops. During my initial review I met many customers in person and also had the benefit of written comments from some 10,000 of them who told me what they liked about Greggs and where they saw scope for improvement. It is clear that our customers have great loyalty to Greggs because we offer them great taste, freshness, quality, value and friendly service. Non-Greggs customers know us for value but are less well informed about the quality of our products, underlining the opportunity and importance of communicating all that we do at Greggs to provide great quality products as well as great prices.

Customers emphasised a number of areas in which they felt that we might improve our offer further for them, including nutritional labelling on our products, the development of more new lines, expansion of our range of healthy products and extension of our hot sandwich offer. These findings will form part of our strategy for the business going forward, and we will continue to seek the views of our customers through an ongoing research programme designed to ensure that we understand and are responsive to their changing needs.

Our product range

Historically, each Greggs bakery made the vast majority of its products to its own recipes, resulting in considerable regional variation. We have now embarked on a programme that will result in 80 per cent of our range being harmonised across the country by the end of 2009. The remaining 20 per cent of the range will comprise specialist regional and local products. This change will make it easier for us to provide nutritional information for our customers, enabling them to make even more informed decisions about how good our products are. We have already begun to trial our harmonised ranges of sandwiches and drinks, with encouraging results.

We have also responded to our customers' desire for more innovation. In the current economic climate we have naturally paid close attention to ensuring value for money, introducing a range of sandwiches priced at 99p or below. Increasingly we offer exceptional value in other 'food on the go' categories with our espresso-based Fairtrade coffee, which sells at around £1.20 per cup, a substantial discount to the national coffee chains. We have also enjoyed a good response to the launch of ranges of new products including lattice-topped savouries and a premium chicken and pesto baguette. Hot sandwiches are selling well in the 150 shops where they are currently available, and we will progressively offer these in more shops to meet strong customer demand.

Our shops

Last year we opened 67 new shops and closed 26, making a net addition of 41 shops and a total of 1,409 at the year-end. During 2009 we expect to open a further 55 – 60 new shops although the net new additions will be around 10 after closures. This is because closures of shops will be at a higher rate than last year due to our withdrawal from Belgium and our intention to re-site more shops at the end of their leases. We expect rental costs for new sites to continue coming down and it makes good financial sense to adopt a more challenging approach to lease renewals, re-siting shops where a better location is available. The existence of upward-only rent reviews remains an unwelcome pressure for retail businesses under current market conditions and is something that we continue to argue needs to change.

More than a third of our new space in 2008 was accounted for by opening shops in locations away from the high street and shopping malls, such as industrial estates, business parks, airports and bus stations. Taking Greggs to where our customers work or travel will continue to be part of our approach to seek out further opportunities for expansion.

We continued to invest in shop refurbishment during the year, with the number of shop refits slowing in the second half as we tightened our capital expenditure. While we are determined to maintain the quality of the Greggs shopping experience through refurbishment, we are seeking even more cost-effective ways to roll out our refit programme going forward.

The current environment is increasing site availability but we will continue to be very selective in our acquisition programme. We expect to accelerate significantly the rate of shop openings from 2010 onward, recognising that one of our greatest growth opportunities is to make Greggs more accessible to more people across the UK by increasing the number of locations in which we trade. We have identified opportunities for expansion throughout the country.

Supply chain

Our former divisional structure resulted in each of our ten regional bakeries producing a wide range of products for its own shops, often in small quantities and with much being finished by hand. We are examining the longer term opportunities to enhance quality and productivity through the consolidation of manufacturing to allow more efficient production of higher volumes. This is likely to follow the successful example of our central savouries unit at Balliol Park in Newcastle upon Tyne, which opened in 1998 and has delivered real benefits in enhanced product quality and consistency, as well as substantially increased productivity. Maintaining and improving the quality of our products will remain our foremost objective as we implement these further changes in our production over time, and as we invest in new technology.

Corporate Social Responsibility

As a responsible, leading food supplier, we are committed to meeting our customers' demands for great tasting, fresh, healthy food and for the information they need to make informed decisions about what they eat. Work is continuing to reduce the fat and salt content of our products, while maintaining their quality and enjoyability.

Harmonising 80% of our product range by the end of 2009 will allow us to provide nutritional information for all our sandwiches, savouries and drinks by the end of 2009. We are committed to eliminating all artificial colours from the products that we make ourselves by the end of 2009 and artificial flavourings from our range by early 2010.

We recognise the issue of litter on our streets and will be working with the Keep Britain Tidy team on solutions to the problems caused by some people thoughtlessly discarding bags or other packaging. Our determination to make a positive difference to the environment is also underlined by our plans to reduce carbon emissions and the amount of waste food going to landfill.

I have been greatly impressed by Greggs' values and the way that these inform so much of what the Company and its employees do to help the wider community. During the year our staff raised a staggering £360,000 for the BBC Children in Need appeal, more than double the amount we raised in 2007. This is a remarkable testament to the spirit of our people and the generosity of our customers, despite the difficult economic environment.

The Greggs Trust continues to do great work supporting a wide range of good causes, and I have been particularly touched and impressed by the contribution that the Greggs Breakfast Clubs make in 124 primary schools in disadvantaged areas across the UK. We are determined that, despite the tough economic times we will continue to fund breakfast clubs at a cost of £225,000 per year, but there is also a need to try and find ways to encourage the Government and other public and private bodies to lend their support to this critical cause. We believe that there are many thousands of children whose school attendance and performance would benefit if they started the day with a proper breakfast, and the number of parents unable to provide this at home is only likely to increase as economic conditions deteriorate. In the past, Greggs has tended to take a rather understated approach to the work that it does, but I believe we can raise the profile of what we do in the hope that it inspires others to do more.

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

People

In getting to know the business, I have been genuinely impressed by the quality of our people and the level of service they provide. Our people have had to cope with considerable change over the last two years, have embraced the shift from a divisional to a centralised structure, and shown real commitment to making it a success. They have done all this while continuing to provide great service to our customers and coping with the additional pressures created by the economic climate. I believe that they deserve a huge amount of praise for all that they have done and continue to do for Greggs.

On a personal note, I would like to record my appreciation of Sir Michael Darrington's support for me since I joined the business. Mike is a remarkable man with not only great business skills but that rare quality of believing we are all put on this planet to do some good; and, whatever shape or form that takes, we all have it in us to do something truly worthwhile.

His advice and guidance have been hugely helpful, and I thank him for the time and insight he has provided since I joined Greggs.

I would also like to record our gratitude for the contribution over many years of Ian Edgeworth, who sadly died in December 2008. Ian was Group Personnel Director from 1983 – 2006 and continued to serve as a trustee of our pension scheme after his retirement. His distinctive personality will be sorely missed and it is a personal sadness that I will not have the privilege of getting to know him as well as so many of the team at Greggs, who genuinely loved the man and his unique way of blending fun with work.

Capital expenditure

Our net total capital expenditure after grants in 2008 was £33.3 million, compared with our previous budget of £36 million, as we tightened further our spending plans during the second half. The largest single project was the construction of our new Manchester bakery, which was completed during the second half and is now being commissioned. We expect total investment to be at a similar level in 2009. We will maintain our pressure on capital expenditure throughout the business, challenging ourselves to find more cost-effective ways of investing so as to maximise returns in what will undoubtedly remain a difficult market place.

Cash flow and balance sheet

The Group remains strongly cash generative. During the year we returned a total of £24.2 million to our shareholders, comprising £14.5 million in dividend payments and a further £9.7 million in share buybacks which were completed during the earlier part of the year. We ended the year with £2.1 million of cash and cash equivalents on the balance sheet. The actual balance at bank at the end of the year was in excess of £8 million but advancing payments ahead of an accounting systems change impacted on the reported balance.

The future

Greggs is a business with a great history and values, and with great potential for the future. Our customers are not immune to the effects of recession, but they and others will seek out good value and we will work hard to find ways of continuing to deliver that with great quality products at great prices. As the Chairman has noted, we will continue to be affected by inflationary cost pressures, particularly in the first half, but we have taken action to bear down on costs throughout the business and have based our budgets for the year on the assumption that we will achieve only modest like-for-like sales growth.

Looking beyond 2009, I am confident that the actions we are taking to simplify and unify the business, and to promote our excellent products, will prepare us for accelerated expansion of our UK retail presence as we progress towards our vision of becoming the nation's number one food on the go retailer.

Ken McMeikan
Chief Executive
10 March 2009

Greggs plc
Consolidated income statement
for the 52 weeks ended 27 December 2008 (2007: 52 weeks ended 29 December 2007)

	2008 £'000 Excluding exceptional items	2008 £'000 Exceptional items (Note 3)	**2008 £'000 Total**	2007 Restated* £'000 Excluding exceptional items	2007 Restated* £'000 Exceptional items (Note 3)	2007 Restated* £'000 Total
Revenue	628,198	-	**628,198**	586,303	-	586,303
Cost of sales	(240,200)	-	**(240,200)**	(220,849)	-	(220,849)
Gross profit	387,998	-	**387,998**	365,454	-	365,454
Distribution and selling costs	(303,288)	(3,285)	**(306,573)**	(278,708)	-	(278,708)
Administrative expenses	(40,415)	(430)	**(40,845)**	(39,030)	-	(39,030)
Other income	-	8,033	**8,033**	-	2,193	2,193
Operating profit	44,295	4,318	**48,613**	47,716	2,193	49,909
Finance income	857	-	**857**	1,234	-	1,234
Profit before tax	45,152	4,318	**49,470**	48,950	2,193	51,143
Income tax	(14,033)	(1,342)	**(15,375)**	(14,792)	-	(14,792)
Profit for the financial year attributable to equity holders of the parent	31,119	2,976	**34,095**	34,158	2,193	36,351
	=======	=======	**=======**	=======	=======	=======
Basic earnings per share			**336.7p**			342.8p
Diluted earnings per share			**335.4p**			340.4p

Non GAAP measures

	2008	2007
Adjusted basic earnings per share	**307.3p**	322.1p
Adjusted diluted earnings per share	**306.1p**	319.9p

* A minor presentational change has been made to the 2007 income statement reallocating profit on sale of properties from cost of sales to other income. There is no impact on net profit.

Dividends

	2008	2007
Interim dividend paid (pence per share)	**49p**	46p
Final dividend proposed (pence per share)	**100p**	94p

Greggs plc

Consolidated statement of recognised income and expense
for the 52 weeks ended 27 December 2008 (2007: 52 weeks ended 29 December 2007)

	2008	2007
	£'000	£'000
Actuarial (losses) / gains on defined benefit pension plans	**(12,614)**	1,410
Tax on items taken directly to equity	**3,532**	(456)
Net income recognised directly in equity	**(9,082)**	954
Profit for the financial year	**34,095**	36,351
Total recognised income and expense for the financial year attributable to equity holders of the parent	**25,013**	37,305

Greggs plc
Consolidated balance sheet
at 27 December 2008 (2007: 29 December 2007)

	2008 £'000	2007 £'000
ASSETS		
Non-current assets		
Intangible assets	**686**	-
Property, plant and equipment	**210,455**	196,783
	211,141	196,783
Current assets		
Inventories	**12,152**	9,908
Trade and other receivables	**22,698**	19,934
Cash and cash equivalents	**4,433**	11,581
	39,283	41,423
Total assets	**250,424**	238,206
LIABILITIES		
Current liabilities		
Trade and other payables	**(62,761)**	(68,183)
Current tax liabilities	**(8,337)**	(9,008)
Provisions	**(2,843)**	-
	(73,941)	(77,191)
Non-current liabilities		
Defined benefit pension liability	**(5,733)**	(680)
Other payables	**(8,221)**	(426)
Deferred tax liability	**(12,154)**	(14,315)
Long term provisions	**(2,428)**	-
	(28,536)	(15,421)
Total liabilities	**(102,477)**	(92,612)
Net assets	**147,947**	145,594
EQUITY		
Capital and reserves		
Issued capital	**2,080**	2,127
Share premium account	**13,533**	13,533
Capital redemption reserve	**359**	312
Retained earnings	**131,975**	129,622
Total equity attributable to equity holders of the parent	**147,947**	145,594

Greggs plc
Consolidated statement of cashflows
for the 52 weeks ended 27 December 2008 (2007: 52 weeks ended 29 December 2007)

	2008	2007
	£'000	£'000
Operating activities		
Cash generated from operations (see below)	**59,163**	74,685
Income tax paid	**(14,807)**	(12,585)
Net cash inflow from operating activities	**44,356**	62,100
Investing activities		
Acquisition of property, plant and equipment	**(40,758)**	(42,343)
Acquisition of intangible assets	**(686)**	-
Proceeds from sale of property, plant and equipment	**2,200**	7,625
Interest received	**857**	1,234
Net cash outflow from investing activities	**(38,387)**	(33,484)
Financing activities		
Sale of own shares	**698**	1,952
Shares purchased and cancelled	**(9,738)**	(25,688)
Dividends paid	**(14,535)**	(13,242)
Government grants received	**8,083**	358
Net cash outflow from financing activities	**(15,492)**	(36,620)
Net decrease in cash and cash equivalents	**(9,523)**	(8,004)
Cash and cash equivalents at the start of the year	**11,581**	19,585
Cash and cash equivalents at the end of the year*	**2,058**	11,581
	=======	=======
*		
Included in cash and cash equivalents per the balance sheet	**4,433**	11,581
Included in current liabilities	**(2,375)**	-
Cash and cash equivalents at the end of the year*	**2,058**	11,581
	=======	=======

Cash flow statement – cash generated from operations

	2008	2007
	£'000	£'000
Profit for the financial year	**34,095**	36,351
Depreciation	**26,010**	24,548
Profit on sale of property, plant and equipment	**(771)**	(1,951)
Release of government grants	**(84)**	(16)
Gain on curtailment of defined benefit pension scheme	**(6,969)**	-
Share based payment expenses	**1,047**	555
Finance income	**(857)**	(1,234)
Unrealised exchange gain relating to property, plant and equipment	**(353)**	(65)
Income tax expense	**15,375**	14,792
Increase in inventories	**(2,244)**	(1,479)
(Increase) / decrease in debtors	**(2,764)**	(3,908)
(Decrease) / increase in creditors	**(8,001)**	6,885
(Decrease) / increase in pension liability	**(592)**	207
Increase in provisions	**5,271**	-
Cash from operating activities	**59,163**	74,685
	=======	**=======**

Greggs plc

Notes:

1. Basis of preparation and accounting policies

The preliminary announcement has been prepared in accordance with the presentational requirements of IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all the information required for full annual accounts.

The information set out above does not constitute the Company's statutory accounts for the years ended 27 December 2008 or 29 December 2007. The financial information for 2007 is derived from the statutory accounts for 2007 which have been delivered to the registrar of companies. The auditors have reported on the 2007 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for 2008 will be finalised on the basis of the financial information presented by the directors in these accounts and will be delivered to the registrar of companies in due course.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the year ended 29 December 2007, which are available on the Company's website www.greggs.plc.uk, with the exception of the following standards, amendments and interpretations which became effective during the year and were adopted by the Group:

- IFRIC 10 Interim financial reporting and impairment
- IFRIC 11 Group and treasury share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 13 Customer loyalty programmes

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

2. Segment analysis

Business is the basis of the Group's primary segmentation. The Group operates in one business segment being the retailing of sandwiches, savouries and other bakery related products. As a result no additional business segment information is required to be provided. The Group's secondary segment is geography. It operates in one geographical segment, the United Kingdom.

3. Exceptional items

The following items have been presented separately on the face of the consolidated income statement in order to show separately the underlying trading performance of the Group:

Profit on disposal of properties

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

During 2007 the Company disposed of bakery sites in Newcastle upon Tyne, Glasgow and Manchester together with several freehold shops.
The profit arising on disposal of properties of £2,193,000 principally related to the sale of the redundant Carricks bakery site in Newcastle. The other bakery disposals were linked to the relocation to improved facilities in Scotland and the North West.

Curtailment of defined benefit pension scheme

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

Restructuring costs

A one-off restructuring charge of £3,715,000 was taken in 2008 which reflects our expected exit costs from our Belgian operation, the costs of closing two Bakers Oven shops in January 2009 which were not suitable for conversion to Greggs, and an increase in previously disclosed provisions for the restructuring of Bakers Oven in the North and Scotland to reflect the worsening property market.

4. Taxation

	2008	2007
	£'000	£'000
Current tax expense		
Current year	**14,735**	15,786
Adjustment for prior years	**(298)**	700
	14,437	16,486
Deferred tax expense		
Origination and reversal of temporary differences	**866**	(873)
Adjustment for prior years	**72**	(821)
	938	(1,694)
Total income tax expense in income statement	**15,375**	14,792
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5. Earnings per share

Basic earnings per share

Basic earnings per share for the year ended 27 December 2008 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year ended 27 December 2008 as calculated below.

Diluted earnings per share

Diluted earnings per share for the year ended 27 December 2008 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 27 December 2008 as calculated below.

Adjusted earnings per share

Basic and diluted earnings per share have been calculated for the years ended 27 December 2008 and 29 December 2007 which exclude the exceptional items. These have been calculated by dividing profit attributable to ordinary shareholders excluding the exceptional items by the relevant weighted average number of ordinary shares as calculated below.

Profit attributable to ordinary shareholders

	2008	**2008**	**2008 Total**	2007	2007	2007 Total
	Excluding exceptional items	**Exceptional items (Note 3)**	**Total**	Excluding exceptional items	Exceptional items (Note 3)	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Profit for the financial year attributable to equity holders of the parent	**31,119**	**2,976**	**34,095**	34,158	2,193	36,351
	=======	**=======**	**=======**	=======	=======	=======
Basic earnings per share	**307.3p**	**29.4p**	**336.7p**	322.1p	20.7p	342.8p
Diluted earnings per share	**306.1p**	**29.3p**	**335.4p**	319.9p	20.5p	340.4p

Weighted average number of ordinary shares

	2008 Number	2007 Number
Issued ordinary shares at start of year	**10,635,091**	11,161,563
Effect of own shares held	**(336,305)**	(394,749)
Effect of shares issued	**-**	-
Effect of shares purchased and cancelled	**(173,483)**	(162,626)
Weighted average number of ordinary shares during the year	**10,125,303**	10,604,188
Effect of share options on issue	**41,156**	74,959
Weighted average number of ordinary shares (diluted) during the year	**10,166,459**	10,679,147
	=========	=========

6. Dividends

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

	2008 Per share pence	2007 Per share pence
2006 final dividend	**-**	78.0p
2007 interim dividend	**-**	46.0p
2007 final dividend	**94.0p**	-
2008 interim dividend	**49.0p**	-
	143.0p	124.0p
	=======	=======

The proposed final dividend in respect of 2008 amounts to 100.0 pence per share (£10,073,000). This proposed dividend is subject to approval at the Annual General Meeting and has not been included as a liability in these accounts.

	2008 £'000	2007 £'000
2006 final dividend	**-**	8,387
2007 interim dividend	**-**	4,855
2007 final dividend	**9,565**	-
2008 interim dividend	**4,970**	-
	14,535	13,242

7. Reconciliation of movement in capital and reserves

	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000	2007 Total £'000
Balance at 30 December 2007	**2,127**	**13,533**	**312**	**129,622**	**145,594**	144,891
Shares purchased and cancelled	**(47)**	**-**	**47**	**(9,738)**	**(9,738)**	(25,688)
Total recognised income and expense	**-**	**-**	**-**	**25,013**	**25,013**	37,305
Sale of own shares	**-**	**-**	**-**	**698**	**698**	1,952
Share-based payments	**-**	**-**	**-**	**1,047**	**1,047**	555
Dividends	**-**	**-**	**-**	**(14,535)**	**(14,535)**	(13,242)
Tax items taken directly to reserves	**-**	**-**	**-**	**(132)**	**(132)**	(179)
Balance at 27 December 2008	**2,080**	**13,533**	**359**	**131,975**	**147,947**	145,594

8. 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.

9. Principal risks and uncertainties

Risk Management

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

Board of Directors

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

Operating Board

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

Risk Committee

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

The risks are assessed on a regular basis across all functional areas but, in particular, the areas of food safety, health and safety, information flow, asset protection and regulatory requirements.