RNS Number : 6185O
Whitbread PLC
18 May 2018

Whitbread PLC

Annual Report and Annual General Meeting

18 May 2018

The Company announces that copies of its 2017/18 Annual Report and Accounts, Notice of Annual General Meeting and Form of Proxy, together with letters from the Chairman relating to such documents, have been submitted to the UK Listing Authority National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm.

These documents can also be downloaded from the Company's website at www.whitbread.co.uk.

The Company's Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ on Wednesday 27 June 2018 at 2.00 pm.

In accordance with the requirements of Rule 6.3.5 of the Disclosure Rules and Transparency Guidance of the UK Financial Conduct Authority, the Appendix to this announcement contains a description of the principal risks and uncertainties affecting the Group, a related party disclosure and a responsibility statement, each reproduced in unedited full text from the 2017/18 Annual Report and Accounts.

The Company's Preliminary Results for the financial year to 1 March 2018 were announced on 25 April 2018.

Enquiries:

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APPENDIX

1. Principal risks and uncertainties
Understanding and responding to risks in our operations means we can make informed decisions that enhance our capacity to build value.

Risk management
Risk arises from the operations of, and strategic decisions taken by, every business. It is not something that can be avoided but should be actively managed and harnessed in pursuit of business objectives.

The Board has ultimate responsibility for risk management throughout the Group and determines the nature and extent of the risks Whitbread is willing to take to achieve its objectives to determine its risk appetite. Risk is managed proactively by the Executive Committee. Certain responsibilities, such as overseeing the systems of risk management and internal control, have been delegated by the Board to the Audit Committee, which completes an annual review of the effectiveness of these processes.

Both the Premier Inn and Costa businesses complete an annual review of the risks to the achievement of their strategic goals, whilst also taking into account the key operational risks, which are updated regularly. A top-down risk assessment is also completed to capture the Board's views on the principal risks facing Whitbread and its risk appetite for each. Actions required to manage these risks are monitored and reviewed on a regular basis. The principal risks identified, together with a summary of key mitigations, can be found on pages 54 and 55.

Viability statement
The Corporate Governance Code requires that the directors have considered the viability of the Group over an appropriate period of time selected by them, in this case a three-year period. In making this assessment, the directors took into account the current financial and operational positions of the Group and the potential impact of the risks and uncertainties as outlined on pages 54 and 55.

The business planning process reviewed by the Board, as part of the annual strategic planning process, is over a five-year timeline, with the Board acknowledging that there is significantly more certainty over the first three years of the plan in light of fluctuations in the global economy, the entry of new competitors and customer preferences. Therefore the directors have determined a three-year period is an appropriate period over which to provide its viability statement. In making the viability statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model, future performance, solvency and liquidity, including the proposed demerger of Costa which is expect to complete within the viability assessment period. Scenario modelling and sensitivity analysis was applied to forecasted cash flows, including a downturn in like for like growth rates as well as the potential impacts should the principal risks, outlined on pages 54 to 55 actually occur. Consideration was given to the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or

occurrence of the identified risk.

In particular, it should be noted that the Group is currently spending a substantial part of its cash from operations on discretionary growth capital (c.30% on average) which allows the Group considerable flexibility to manage cash flows and would provide significant mitigation if required.

Based upon this assessment, the directors confirm that they have reasonable expectation that the Group will be able to continue in operation and to meet its liabilities as they fall due over the three-year assessment period.

Risks	Key mitigations
Cyber and data security Cyber and data security remains a key risk as it could reduce the effectiveness of our systems or result in a loss of data. This in turn could result in loss of income and/or reputational damage.	We have a series of IT security controls in place, including up-to-date antivirus software across the estate, network/system monitoring and regular penetration testing to identify vulnerabilities. A continuous security improvement programme is in place improving security and data controls. Specifically, during the year we have enhanced network security and we are in the process of implementing a framework of industry-recognised security standards.
Innovation and brand strength A long-term decline in the customer perception of our brands would impact our ability to grow and achieve appropriate levels of return.	To ensure we maintain and improve the strength of our brands, we continually complete market research and monitor opinion with focus groups and net guest scores to ensure we maintain the right levels of investment and innovation in our customer offerings. We monitor the rate and level of investment in the refurbishment of our Premier Inn hotels and Costa stores along with our net promoter scores.
Change Our ability to execute the significant volume of change, including the proposed demerger of Costa.	We embarked on an extensive programme of change to replace our legacy finance, POS, CRM and HR systems, whilst also delivering an ongoing efficiency programme and upgrading our digital capability and customer propositions enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, including the proposed demerger of Costa we have significantly enhanced our internal project delivery expertise and capability and put in place a robust assurance management framework coupled with regular reporting to the Executive Committee.
Economic Climate Uncertain/volatile political and economic climate results in a decline in GDP, consumer and business spending, a fall in RevPAR and inflation pressure impacting growth plans.	There is a rigorous business planning process in place which considers many scenarios with appropriate responses. We also have strong site selection teams with well-established processes in place based on market and economic fundamentals, both at a macro and micro level. These are supported by sensitivity analysis and a robust investment appraisal process to help deliver good levels of return and we are making good progress with our efficiency programme that aims to deliver £250 million of savings over five years.
Retention and wage inflation Failure to maintain staff engagement and retention in a tightening labour market.	The success of our businesses would not be possible without the passion and commitment of our teams. Team engagement is fundamental. We monitor this closely through our annual engagement survey Your Say, the results of which are reviewed by the Executive Committee and the Board, with trends analysed and appropriate actions reviewed and agreed. We are also upgrading our HR systems to provide greater insight. Team retention is a key component of our WINcard and Annual Incentive Scheme.
Pandemic/terrorism The risk of a pandemic or terrorism on the safety and security of our customers or staff and the consequent impact on trading.	The safety and security of our customers, employees and suppliers is of utmost importance. Failure to prevent or respond to a major safety or security incident could adversely impact our operations and financial performance. We invest in site level training to help identify hostile reconnaissance activities and to ensure we have an appropriate response should such events take place. The executive team also hold regular crisis management exercises to ensure we are prepared for such events.

Risks	Key mitigations
Food safety and hygiene The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	The health and wellbeing of our customers is fundamental to our business. We have stringent food safety and sourcing policies with traceability and testing requirements in place in respect of meat and other products. Independent food safety audits are also completed regularly at our hotels, restaurants and coffee shops and the results are closely monitored. We also invest considerable resources in employee training in the storage, handling and preparation of food.
Health and safety Health and safety risk, death or serious injury as a result of company negligence.	The safety of our guests and employees is of paramount importance. NSF, an independent company, carries out health and safety audits on every site and we have a programme of fire safety training for our employees. In addition, C.S. Todd & Associates Ltd, independent fire safety consultants, have been working with us on the fire safety of our hotels. Health and safety is a measure on the WINcard and acts as a hurdle for incentive payments. Regular health and safety updates are provided to the Executive Committee and the Board.
Third party arrangements Business interruption as a result of the withdrawal of services/provision of services below acceptable standards/support or reputational damage as result of unethical supplier practices.	Whitbread has several key supplier relationships that help ensure the efficient delivery of our multi-site and support centre operations. The failure or withdrawal of services from one or more of these suppliers may result in some business interruption. To safeguard against this, we continually review our suppliers and business continuity arrangements. We expect our suppliers' practices to be in line with our values and standards. Suppliers are thoroughly vetted before we enter into any arrangements to ensure they are reputable and then monitored though our supplier management arrangements.

2. Related Party Disclosure

The Group consists of a parent company, Whitbread PLC, incorporated in the UK and a number of subsidiaries and joint ventures and held directly and indirectly by Whitbread PLC, which operate and are incorporated around the world. Note 10 to the Company's separate financial statements lists details of the interests in subsidiaries and related undertakings.

The Group holds 6% as a general partnership interest in Moorgate Scottish Limited Partnership (SLP) with Whitbread Pension Trustees holding the balance as a limited partner. Moorgate SLP holds a 67.8% investment in a further partnership, Farringdon Scottish Partnership (SP), which was established by the Group to hold property assets. The remaining 32.2% interest in Farringdon SP is owned by the Group. The partnerships were set up in 2009/10 as part of a transaction with Whitbread Pension Trustees and the Group retains control over both partnerships and, as such, they are fully consolidated in these consolidated financial statements. Further details can be found in Note 29.

Shares in Whitbread Group PLC are held directly by Whitbread PLC. Shares in the other subsidiaries are held directly and indirectly by Whitbread Group PLC.

Related party transactions	**2017/18 Joint ventures £m**	**2016/17 Joint Ventures £m**
Sales to a related party	5.1	5.2
Amounts owed by related party	1.9	1.7
Amounts owed to related party	-	-
Compensation of key management personnel (including directors):		
	2017/18 £m	**2016/17 £m**
Short-term employee benefits	7.3	6.4
Post employment benefits	-	-
Share-based payments	0.6	4.0

	7.9	10.4

Joint ventures
For details of the Group's investments in joint ventures see Note 15.

Terms and conditions of transactions with related parties
Sales to, and purchases from, related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided, or received, for any related party receivables. No provision for doubtful debts relating to amounts owed by related parties has been made (2016: £nil). An assessment is undertaken, each financial year, through examining the financial position of the related parties and the market in which the related parties operate.

Transactions with other related parties
Details of transactions with directors are detailed in the remuneration report on pages 72 to 87.

3. Directors' responsibility statement
The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Group for that period.

In preparing the 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 24 April 2018 and is signed on its behalf by:

Alison Brittain
Chief Executive

Nicholas Cadbury
Group Finance Director

This information is provided by RNS
The company news service from the London Stock Exchange

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