RNS Number : 1403F
Whitbread PLC
15 May 2017

Whitbread PLC

Annual Report and Annual General Meeting

15 May 2017

The Company announces that copies of its 2016/17 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 21 June 2017 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 2016/17 Annual Report and Accounts.

The Company's Preliminary Results for the financial year to 2 March 2017 were announced on 25 April 2017.

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 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 to the Audit Committee, which completes an annual review of the effectiveness of these processes.
The structure and governance of the risk management process at Whitbread is shown on page 59 and, during the year, a robust bottom-up assessment of risks was completed.
Both the Premier Inn & Restaurants and the 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, considering risk appetite. 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, are summarised on pages 60 and 61.

Risks and uncertainties

The Directors have reconsidered the principal risks and uncertainties of the Group and added two new risks reflecting the risks around the extensive programme of change we have embarked upon and business interruption risks for services managed by third parties. The risk of a wider macro-economic effect as a result of the UK leaving the EU, including foreign exchange and interest rate fluctuations, is addressed by the Group's existing economic climate risk. Going forward, we will closely monitor and evaluate any potential areas of risk.

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 60 and 61.
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, including those that would threaten the business model, future performance, solvency and liquidity. Scenario modelling and sensitivity analysis was applied to forecasted cash flows to model the potential effects should the principal risks actually occur and 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 strengthened our perimeter protection with improved firewall and denial of service protection and have moved significant systems to new, more secure, data centres.
IT Infrastructure IT infrastructure is unable to adequately support our business growth objectives. Although improvements have been made in our infrastructure.	A strong IT leadership team is in place together, with Group governance structures, to help prioritise, coordinate and deliver our business plans and the IT investment in an efficient way so as to minimise disruption. We are also significantly increasing our investment in the upgrade of our systems infrastructure, increasing the capacity, resilience and stability of our core systems and our digital proposition.
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 are also increasing the rate and level of investment in the refurbishments of our Premier Inn and Costa stores to help improve our net promoter scores.
Change Our ability to execute the unprecedented volume of change is recognised as a new risk this year.	We have embarked on an extensive programme of change to replace our legacy systems and infrastructure, upgrade our digital capability and improve our customer propositions, enabling Whitbread to deliver its growth plans over the coming years. To help ensure the successful delivery of these change projects, 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 for all major projects.
Economic Climate Uncertain/volatile economic climate results in GDP decline fall in RevPAR and inflation impacting growth plans.	There is a rigorous business planning process in place which considers many scenarios with responses to these. 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. We have also embarked on an efficiency programme that aims to deliver £150 million of savings over five years.
Engagement and retention 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. Team turnover is also 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, 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 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.
Talent and succession Insufficient leadership capability and succession in place to deliver growth ambitions.	Talent and succession planning takes place regularly to ensure top talent is identified and succession plans exist for key roles. Talent gaps are addressed through recruitment, training and development to grow our management capability. The Group offers key employees appropriate levels of reward and recognition in order to retain them.

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. Health and safety is a measure on the WINcard and acts as a gateway 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/support or reputational damage as result of supplier practices is recognised as a new risk this year.	Whitbread has a number of 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 ensure 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, joint ventures and associate 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	2016/17 Joint ventures £m	2015/16 Joint Ventures £m	2016/17 Associate £m	2015/16 Associate £m
Sales to a related party	5.2	3.8	-	3.3
Amounts owed by related party	1.7	0.9	-	-
Amounts owed to related party	-	(0.1)	-	-
Compensation of key management personnel (including directors):				
			2016/17 £m	**2015/16 £m**
Short-term employee benefits			6.4	6.2
Post employment benefits			-	0.2
Share-based payments			4.0	5.9
			10.4	12.3

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

Associate
The Group held an investment in Morrison Street Hotel Limited which was disposed of during the year. For details of the disposal see Note 6.

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 78 to 98.

3. Directors' responsibility statement

The directors are responsible for preparing the Annual Report and Accounts in accordance with applicable UK laws and regulations. UK company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable UK law. Further, they have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and applicable UK law.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner which presents relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group financial statements comply with IFRS, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in its business.

In preparing the Company financial statements, the directors are required to:

- select suitable accounting policies and 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.

The directors are responsible for keeping adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with regard to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for the system of internal control for safeguarding the assets of the Group and the Company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The directors are responsible for preparing the strategic report (including the corporate governance report) and the directors' remuneration report and the directors' report in accordance with the Companies Act 2006 and applicable regulations, including the Listing Rules and the Disclosure and Transparency Rules.

A copy of the financial statementsof the Group is posted on the Group's website. The directors are responsible for the maintenance and integrity of the Annual Report included on the website. Information published on the Group's website is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, the names and functions of whom are set out on pages 64 and 65, confirms that, to the best of their knowledge, they have complied with the above requirements in preparing the financial statements in accordance with applicable accounting standards and that the financial statements give a true and fair view of the assets, liabilities, financial position and result of the Group. In addition, each of the directors confirms that the strategic report includes a fair review of the development and performance of the business and the position of the Group and together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for the shareholders to assess the Group's and Company's performance, business model and strategy.

Signed on behalf of the Board

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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