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Whitbread PLC
11 May 2016

Whitbread PLC

Annual Report and Annual General Meeting

11 May 2016

The Company announces that copies of its 2015/16 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.Hemscott.com/nsm.do.

The Company's Annual General Meeting will be held at Church House Conference Centre, Dean's Yard, Westminster, London SW1P 3NZ on Tuesday 21 June 2016 at 2.00 pm.

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

In accordance with the requirements of Rule 4.1 and Rule 6.3.5 of the Disclosure Rules and Transparency Rules 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 2015/16 Annual Report and Accounts.

The Company's Preliminary Results for the financial year to 3 March 2016 were announced on 26 April 2016.

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 business unit executive committees and 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 47, and during the year, a robust bottom-up assessment of risks was completed.

Both the Hotels & 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 quarterly. 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 48 and 49.

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 48 and 49.

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.50% on average) which gives 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 to meet its liabilities as they fall due over the three-year assessment period.

Principal risks

Risk	Key mitigations
Engagement and retention Failure to maintain staff engagement and retention in tightening labour market.	The success of our businesses relies upon the passion and commitment of our teams and their engagement is fundamental. We closely monitor our teams' engagement both through our annual 'Your Say' survey, and reporting on team turnover - a key component of our WINcard Annual Incentive Scheme. Team turnover continues to be a challenge for us as the labour market tightens with the economic recovery. We have a number of training and progression programmes in place to address this, both at a site and support centre level. For our team members we will continue to review our pay structures to ensure that their reward reflects their increasing skills through our pay for progression programme. At a support centre level we are implementing a new performance management framework with a focus on supporting all employees to reach their potential. For all senior management positions we have succession plans in place and talent gaps are being actively addressed through recruitment, training and development.
Health and safety Death or serious injury as a result of Company negligence.	The safety of our guests and employees is of paramount importance and is monitored closely at every level of the business. It is a measure on the WINcard as a hurdle for incentive payments and regular updates are reported to the Board. Our key health and safety risks are our construction sites, fire safety and food hygiene standards. We monitor these through internal brand standard checks, compliance audits, and risk based reviews. This year, these have resulted in refreshed fire safety training in our hotels and updated training manuals for our international coffee shops to better address local training requirements. We also engage with third-party health and safety assurance provider NSF, who visit every site at least annually and support us in achieving consistent standards globally.
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.	Protecting our brands requires not only delivering consistently excellent customer experience, but also finding new and innovative ways to engage our customers. We closely monitor customer perception through market research, focus groups, net guest scores and TripAdvisor ratings to help us focus investment where it matters most to our customers. As a result of this, we are strengthening our existing brand proposition including increasing refurbishments of our estate and improving our customer's online experience. We are also investing in a number of new formats including 'hub by Premier Inn', 'Beefeater Bar + Block', Premier Inn Germany, Costa Pronto, Costa Fresco and an expanded Costa loyalty offering.
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, staff and suppliers is of critical importance and therefore ensuring we are ready to respond appropriately in the event of a threat materialising is a key priority. We have crisis management procedures in place and management undertake training and simulations to assess our readiness and response capabilities should an event arise. We are implementing specific training for our hotel team members and embedding training policies and procedures will remain a focus for the coming year.
Cyber and data security Inadequate systems and data security reduces the effectiveness of our systems or results 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 network/system monitoring and regular penetration testing to identify vulnerabilities. We continue to invest in new skills and capabilities. A security improvement programme is in place improving network security, data breach controls, procedures and ensuring accountabilities are embedded across Whitbread.

IT infrastructure IT infrastructure is unable to adequately support our business growth objectives.	We are investing heavily in our systems infrastructure. This will increase the capacity, resilience and stability of our core systems and digital propositions. We have a strong IT leadership team in place to manage this transformation and have implemented clear governance structures to prioritise, coordinate and deliver it efficiently with minimal disruption.
Economic climate Changes in the economic climate, Brexit, fall in GDP, RevPAR or property inflation could impact returns and our growth plans.	The ability to rapidly respond to changes in the economic environment requires a lean and agile cost base. To this end, we are implementing a number of efficiency initiatives to ensure we leverage technology and maximise synergies across our Restaurants, Premier Inn and Costa brands. These include reviewing our labour management processes, and upgrading our systems to ensure our teams are structured and equipped to work flexibly and efficiently. Economic developments are factored in to our business planning at both a macro and micro level. Our investment appraisal process includes modelling a diverse range of scenarios to ensure we continue to achieve a good level of return for all new openings. Our debt and gearing levels are monitored closely using our financial framework to ensure they are well within our financial covenants and headroom requirements.
Food safety and hygiene The preparation or storage of food and/or supply chain failure results in food poisoning and reputational damage.	Food safety continues to be an area of considerable investment for us, both in employee training, and in enforcing our stringent sourcing policies, traceability and testing requirements as we expand our product offering and continue to grow both in the UK and internationally. Independent food safety audits are completed at least annually across all our brands in addition to internal brand standard checks and audits. This will remain a key focus and priority going forward, as we look to increase the frequency and coverage of outlet visits.

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 11 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 31.

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. All significant trading subsidiary undertakings have the same year-end as Whitbread PLC, with the exception of Yueda Costa (Shanghai) Food & Beverage Management Company Limited which has a year-end of 31 December as required by Chinese legislation.

Related party			
	Sales to related parties £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Joint ventures			
2015/16	**3.8**	**0.9**	**(0.1)**
2014/15	3.7	1.2	-
Associate			
2015/16	**3.3**	**-**	**-**
2014/15	3.5	0.3	-
Compensation of key management personnel (including directors):			
		2015/16 £m	2014/15 £m
Short-term employee benefits		**6.2**	7.0
Post employment benefits		**0.2**	0.2
Share-based payments		**5.9**	5.5
		12.3	12.7

Joint ventures
For details of the Group's investments in joint ventures see Note 16.

Associate
For details of the Group's investment in associate see Note 17.

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. For the year ended 3 March 2016, the Group has raised a provision for doubtful debts of £nil relating to amounts owed by related parties (2015: £0.1m). 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 76 to 91.

3. Directors' responsibility statement

Statement of directors' responsibilities
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 (IFRSs) 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 statements of 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 **Nicholas Cadbury**
Chief Executive Finance Director

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

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