RNS Number : 4675E
Whitbread PLC
10 May 2013

**Whitbread PLC**

**Annual Report and Annual General Meeting**

10 May 2013

The Company announces that copies of its 2012/13 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 The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Tuesday 18 June 2013 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 Services Authority, the Appendix to this announcement contains a description of the principal risks and uncertainties affecting the Group and a responsibility statement.

The Company's Preliminary Results for the financial year to 28 February 2013 were announced on 30 April 2013.

Enquiries:

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**APPENDIX**

**1. Risk Management**

The starting point for the assessment of risks at Whitbread is the Company's business model. Risks are linked to each component of the business model as shown below:

| | **Risks linked to strategy** |
|---|---|
| **Winning Teams** | · Health and safety risks |
| **Customer Heartbeat** | · Reputational risk<br>· Market risk |
| **Profitable Growth** | · Financial risk<br>· Third-party risk<br>· Operational risk |
| **Good Together** | · Food provenance |

**Structure**

Both Whitbread Hotels & Restaurants and Costa maintain risk matrices aligned to their own business model. These matrices analyse the risks to the achievement of each business's strategic goals and prioritise those risks as low, medium or high based on both the likelihood and potential impact of each risk. The matrices, together with controls and mitigating actions, are reviewed on a regular basis by the management board of each business.

The outputs of the process carried out by the businesses form the basis of the risk matrix for the Group. The most significant business-level risks are included in the Group risk matrix, together with other risks that are specific to the Group. The Group risk matrix is reviewed on a quarterly basis by the Board and annually by the Audit Committee.

The process:

• links risks to the Group's business model and strategic objectives;

• analyses risks based on likelihood and potential impact;

• outlines key controls and mitigating actions; and

• ensures that risks and controls are reviewed quarterly and updated as necessary.

The risk and control matrices form the basis of the annual assurance plan, which provides for the independent testing of controls and mitigating actions by Ernst & Young, NSF (an independent health and safety auditing company), the Company's internal control evaluation process of PwC as part of the operational audit programme.

**The current status**

In total, there were 21 risks (2012: 18 risks) identified on the Group risk matrix considered by the Audit Committee inMarch 2013. After taking account of the controls and mitigation plans the Audit Committee and the Board considered that 15 of the risks either had low likelihood of occurring or a low potential impact. For this reason, these 15 risks have not been categorised as principle risks for the purposes of this Report.

The six principal risks identified, together with details of controls, mitigation and assurance plans are summarised in the table below. Two of these risks are considered to have a high likelihood of occurring. The first is the risk of a serious food provenance issue, which has increased during the year due to the Europe-wide problems with the processed meat supply chain. This issue has been given significant focus and we have strengthened our testing and traceability regime as a result. The other risk deemed to have a high likelihood is the loss of key employees who have been targeted by recruitment consultants. We have taken action to ensure that our key employees understand the benefits of staying with the Company, both in terms of development opportunities and long-term remuneration benefits.

**Principal risks**

| Risk | Mitigation controls | Monitoring and assurance | Current trend |
|---|---|---|---|
| **Health and safety risk: serious health or provenance issue relating to food.** | The expertise of members of the procurement, food development and safety and security teams.<br><br>Stringent food safety policies and a detailed sourcing policy.<br><br>New traceability and testing requirements introduced in respect of processed meat.<br><br>Focus now on predicting other potential issues in the supply chain. | NSF, an independent company, carries out regular audits on all suppliers to measure their performance against a range of health and safety standards. Health and safety is a hurdle on the WINcard. Regular updates are provided to the management boards and to the Board. | Stable |
| **Market risk: improvement in competitor financial health and/or competitor activity can result in a loss of market share.** | Actions to outperform the competition are developed on a strategic and tactical basis. Significant customer research is carried out with Premier Inn, for example, receiving more than 800,000 responses in 2012/13. The customer insight received is used to develop action plans. Consumer trends, both in the UK and overseas, are analysed and competitor activity is monitored. Monthly reports are produced by each business for the Board. | Relative market share information and timely trading performance data is produced and monitored by the executive teams and the Board. | **Premier Inn** Stable<br><br>**Restaurants** Stable<br><br>**Costa** Improving |
| **Financial risk: significant increase in the pension scheme's actuarial and/or statutory deficit resulting in higher pension contributions or the re-rating of the Company's credit.** | The Company's defined benefit pension scheme is closed to new members and, for future service, to existing members. The Pension Investment Committee and its advisers, as well as the internal pensions team, have significant expertise in the area and provide good quality oversight. The investment strategy has been designed to reduce volatility and risk and hedging opportunities are utilised as appropriate. The Finance Director attends Pension Investment Committee meetings. | The Pensions Director and the external pensions advisers to the Company report regularly to the Board on the funding level and investment strategy of the fund. | Stable |
| **Third-party risk: third-party failing and consequently breaching the terms of a significant contract or giving rise to a privity of contract claim.** | Credit control checks are carried our on parties to significant contracts, along with the continued auditing and monitoring of those contracts. Regular reviews are carried out on the potential for privity of contract claims and , when they are received, all efforts are made to lessen the financial liability through negotiation with the landlord or sale of the lease. | Asset management team and credit controllers monitor risks. There is a regular review of the debtors' registers by the management boards. Financial controllers review status at half and full-year. | Stable |
| **Operational risk: loss of key employees.** | It is important that the Company continues to offer key employees appropriate levels of reward and recognition in order to retain them. The Company's programme of development and talent planning delivers a strong succession plan. | The Group HR function monitors the number of key employees leaving the Company and conducts exit interviews to understand the reasons. Succession plans are reviewed regularly. | Stable |

| | | | |
|---|---|---|---|
| **Operational risk: data security breach resulting in the loss, or improper access to, customer or confidential data.** | The expertise of the IS team in protecting the systems and network. IS security training has been delivered to employees. legal advisers monitor new legislation and advise the IS team. | Systems are continually monitored for irregular activity. The disaster recovery plans are reviewed by the Audit Committee. | Stable |

**2. Directors' responsibility for the consolidated financial statements**

**Responsibility statement**

We confirm on behalf of the Board that, to the best of our knowledge:

• the consolidated financial statements, prepared in accordance with IFRSs as adopted by theEuropean Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group taken as a whole; and

• the directors' report includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Andy Harrison Nicholas Cadbury
Chief Executive Finance Director
29 April 2013

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

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