

WHITBREAD

Annual Financial Report

Released : 15 May 2009

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Whitbread PLC
15 May 2009

Annual Financial Report

Following the release on 28 April 2009 of the Company's preliminary full year results announcement for the year ended 26 February 2009 (the "Preliminary Announcement"), the Company announces it has published its Annual Report and Accounts for 2008/09 (the "Annual Report and Accounts"). The Annual Report and Accounts 2008/09 comprises both the Directors' Report and Accounts 2008/09 and the Annual Review and Summary Report 2008/09.

The Company's 2009 AGM will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Tuesday 16 June 2009 at 2.00pm.

Copies of the Annual Report and Accounts and the Notice of the Annual General Meeting for 2009 are available to view on the Company's website:

www.whitbread.co.uk

In accordance with Disclosure and Transparency Rule 6.3.5 (2) (b) additional information is set out in the appendices to this announcement.

The Preliminary Announcement included a set of condensed financial statements and a fair review of the development and performance of the business and the position of the Company and the group.

Pursuant to Listing Rule 9.6.1, two copies of each of the Directors' Report and Accounts, the Notice of the Annual General Meeting for 2009, the form of proxy in relation to the Annual General Meeting

for 2009 and the Scrip dividend scheme circular are being submitted to the UK Listing Authority. These documents will shortly be available for inspection at the Document Viewing Facilities of the UK Listing Authority which is situated at:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

In addition, two copies of the "Annual Review and Summary Report" for the year ended 26 February 2009 have been submitted to the UK Listing Authority.

Appendices

Appendix A: Directors' responsibility statement

The Annual Report and Accounts 2008/09 contains the following statements regarding responsibility for the financial statements and business review included in the Annual Report and Accounts 2008/09 (references in the following statements are to pages of the Directors' Report and Accounts 2008/09).

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

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, 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

Alan Parker **Christopher Rogers**
Chief Executive Finance Director

Appendix B: A description of the principal risks and uncertainties that the Company face is extracted from the Directors' Report and Accounts (pages 4 to 5).

Shareholder value risk

Risk: The failure to meet the profit expectations of the Company's investors and potential investors.

Mitigation: The Company has a range of management processes designed to keep track of progress against its targets. Each part of the Group agrees an annual budget with the Board, which includes a profit target for the year ahead. The Company's employees are incentivised to meet those targets and monthly management reports are produced.

These reports are reviewed by the Costa and WHR Management Boards, the Executive Committee and the Company's Board. Further forecasts are produced through the year and quarterly trading updates, together with an investor relations programme ensure that investors are kept up to date with developments.

Strategic risks

Risk: The loss of market share to competitors.

Mitigation: The activities and performance of Whitbread's competitors are analysed and compared to the activities and performance of Whitbread's own businesses on a regular basis. Action plans are produced as appropriate. Each of Whitbread's businesses carries out market research and analyses consumer trends in the UK and overseas. This information is used to anticipate future consumer trends and to allow Whitbread to position itself to benefit from those trends. In addition, Whitbread listens to its customers. Premier Inn, for example, obtained feedback from more than 400,000 customers last year and used the feedback to ensure that it continues to offer the type and quality of services that its customers expect. Guest recommendation is one of the key elements of the WINcard (see page 18 of the Annual Review for further details).

Risk: The failure to deliver growth targets for Premier Inn and Costa.

Mitigation: Suitable development and financial resources are in place in order to deliver the planned Premier Inn room growth and Costa store growth.

Risk: A significant continuation of the economic downturn.

Mitigation: The Company carries out a regular review of significant economic and other key indicators as part of the business planning and budgeting process. Plans are then developed, implemented, monitored and measured.

Risk: The failure to recruit and retain key employees.

Mitigation: Whitbread listens to the views of its employees and has a range of employment policies designed to make Whitbread a rewarding place to work. Remuneration packages are benchmarked to ensure that they remain competitive and a talent review process has been established to provide structured succession planning. Employee turnover is analysed on a monthly basis and exit interviews are carried out to establish why some employees do choose to leave.

Operational risks

Risk: A major health and safety failure leading to significant injury or loss of life and/or significant damage to the Company's reputation.

Mitigation: The Company has established a rigorous health and safety training programme and regular independent audits are carried out to ensure that procedures are followed. Health and safety is one of the key measures on the WINcard (see page 18 of the Annual

Review for further details) and regular updates are made to the management boards and to the Company's Board.

Risk: The general quality of food served in the Company's outlets not being acceptable.

Mitigation: Whitbread has implemented a robust supplier audit programme. The selection process for food suppliers includes exacting food safety and provenance pre-qualification and Whitbread maintains a multi-region sourcing strategy where appropriate. Suitable training programmes have been developed for kitchen staff.

Risk: A significant failure by the providers of the newly outsourced finance planning and HR systems.

Mitigation: Appropriate project plans have been established and strong management teams have been appointed to manage the outsourcing. Monitoring visits will be made to the external service providers.

Risk: The failure of key IT systems for a sustained period.

Mitigation: Audit and monitoring of third party suppliers and appropriate business continuity plans for IT systems have been developed.

Risk: A major failure of the supply chain.

Mitigation: Appropriate business continuity plans for the supply chain have been established, including the identification of alternative suppliers. Whitbread has identified its key suppliers and sought confirmation that those suppliers have suitable disaster recovery plans in place.

Financial risks

Risk: The breach of loan facility covenants or failure to obtain refinancing.

Mitigation: The Company has signed facility agreements in place. Ongoing reviews and stress testing of banking covenants are carried out and relationships with the banks are maintained.

Risk: The possibility of a significant financial reporting error.

Mitigation: The Company ensures that only appropriately qualified people are tasked with carrying out key financial functions and believes that it has significant expertise within its finance team. Duties are segregated where appropriate and reviews of processes and externally reported numbers are undertaken both by the Audit Committee and the external auditor.

Risk: Whitbread operates a defined benefit pension scheme. At 26 February 2009, there was a gross pension fund IAS 19 deficit of £233.0 million. There is a risk that this deficit could grow in the event of poor investment performance or increasing life expectancy. Legislation means that, on occasions, it may be necessary to approach the Pensions Regulator for pre-clearance of agreements reached with the Pension Trustee at the time of significant corporate transactions. Such clearance may include a requirement to increase the level of funding over a reduced timescale.

Mitigation: Whitbread's pension risks have been mitigated by the closure of the defined benefits scheme to new entrants on 31

December 2001. A defined contribution pension scheme is available to eligible new employees. In order to reduce the funding deficit in the scheme, the Group has made additional contributions of £200 million since September 2005. Details of an agreement in principle relating to future funding following the result of the triennial valuation as at 31 March 2009 showing a deficit on a funding basis of £388 million can be found in the Finance Director's review on page 13 of the Annual Review. The risk is further mitigated by the expertise of the pension fund trustee board and its investment committee and the process is overseen by the Board.

Risk: Failure of a third party to a significant contract. In addition companies within the Group are party to leases of properties relating to businesses which have been sold where the Group's interests in the leases have been assigned to a third party. If the third party defaults in its obligations under those leases (such as when the third party becomes insolvent), the landlord may be able to hold the original Whitbread company which entered into the lease liable to meet the obligations under the lease. This is a risk carried by all companies selling leasehold interests, but is heightened in times of economic downturn.

Mitigation: Whitbread carries out credit control checks and undertakes auditing and monitoring of third parties. A review has been carried out of the potential for privity claims.

Risk: Loss arising from lack of controls in international expansion.

Mitigation: Whitbread has established a rigorous approval process and the legal and corporate finance teams are involved in decisions related to international expansion. Suitable project teams are established by senior management and monthly updates are given to the management boards.

Appendix C: Related party transactions

The following related party transactions are extracted from the Annual Report and Accounts (page 63)

Related Party	Sales to related party £m	Amount owed by related party £m	Amount owed to related party £m
Joint Ventures			
2008/9	1.3	2.5	-
2007/8	-	-	-
Associate			
2008/9	-	-	-
2007/8	-	-	-

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 26 February 2009, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2008: £nil). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with other related parties
Details of transactions with directors are detailed in the Remuneration Report on pages 10 to 18.

There are no other related party transactions.

Appendix D:

We confirm that the accounts are non statutory and an auditor's report has been made, delivered and is unqualified.

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

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