STARBUCKS COFFEE COMPANY (UK) LIMITED

Registered Number 02959325

Report and Financial Statements

For the 52-week period ending 30 September 2018

STARBUCKS COFFEE COMPANY (UK) LIMITED

CONTENTS

STARBUCKS COFFEE COMPANY (UK) LIMITED

DIRECTORS AND OTHER INFORMATION
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

DIRECTORS	P Harris (resigned 14 December 2018) N Shores R Marshall (appointed 29 May 2018) J Dunlop (appointed 29 May 2018, resigned 14 December 2018) M Sebastian (appointed 29 May 2018, resigned 14 December 2018) A Rayner (appointed 22 January 2019)
REGISTERED OFFICE	Building 4, Chiswick Park Chiswick High Road London England W4 5YE
AUDITOR	Deloitte LLP Statutory Auditor London United Kingdom
BANKERS	Citibank Citigroup Centre Canary Wharf London E14 5LB United Kingdom
SOLICITORS	Wragge & Co LLP 55 Colmore Row Birmingham B3 2AS United Kingdom

The directors present their strategic report for the 52-week period (2017: 52-weeks ended 1 October 2017) ended 30 September 2018 for Starbucks Coffee Company (UK) Limited ("the Company"), a private company limited by shares. In preparing this Strategic Report, the directors have complied with s414C of the Companies Act 2006.

The Company has been licensed, by Starbucks EMEA Ltd, to utilise the Starbucks brand across the United Kingdom.

STATE OF AFFAIRS

The loss for the period after taxation, is £21,272,148 (2017: profit of £1,256,459).

The Company has adopted FRS 101 – *Reduced Disclosure Framework* and has taken advantage of the disclosure exemptions allowed under this standard.

The Company's key financial and other performance indicators during the period were as follows

	2018 £	2017 £
Turnover	387,565,296	372,290,050
Operating (loss)/profit	(19,031,319)	670,344
(Loss)/profit for the financial period	(21,272,148)	1,256,459
Shareholder's equity	3,824,900	23,142,695
Current assets as a % of current liabilities *('quick ratio')*	85.90%	92.90%

The full results for the period are shown on page 12. Revenues in the period increased by 4.1% to £387,565,296 (2017: £372,290,050), with the Company operating with a smaller estate overall, as it continues to transfer company-operated stores to licence and franchise partners as part of its core strategy. That said, trading conditions in the retail industry in the UK remain challenging and overall consumer confidence is generally low.

Costs have increased in 2018, due to the ongoing investment in higher quality product, with new food and drink items offered in stores. This includes investing in a menu of new cold coffees such as Nitro Cold Brew and Cappuccino Freddo, plus extending a fresh food offering to expand the range of salads and hot lunch boxes, plus two new hot porridge varieties. The ongoing shift toward a franchised portfolio also contributed to higher one-off costs, including expenses related to the renegotiation of leases and the closure of unprofitable stores.

Gross profit for the period fell by 20.8% to £56,211,747 (2017: £70,988,008). The operating margin weakened to (4.9%) (2017: 0.2%).

The Company reported a loss before tax in the period, of £17,224,863 (2017: profit of £4,549,995), reflecting the lower company-operated store count and difficult trading conditions, though this was partially offset by a slight increase of 0.8% in comparable (like for like) sales (2017: 1.2%) in company-operated stores. This loss includes a one-off provision of £20,710,216, feeding into cost of sales, related to onerous leases on some of its retail stores.

During the year, the Company reported a UK Corporation Tax charge of £4,047,285 (2017: £3,293,536)

STATE OF AFFAIRS (continued)

Franchised store strategy: The Company has increased the number of licensed stores and franchised stores by a net 21 and 27 respectively, representing a 37/63 ratio of company-operated to franchise stores (40/60 ratio in 2017). We have been very encouraged by the performance of these stores and the Company expects more to open in FY2019.

The Company has continued to see a reduction in company-operated store employee (partner) numbers and associated costs with a net 13 equity stores sold or closed during the year and costs driven by the strategic shift to more franchise activity, with a greater number of partners shifting to franchise stores.

Environment strategy: The board believes that good environmental practices support the Company's strategy by enhancing the reputation of the Company, the efficiency of production and the quality of products. Consequently, the Company continues to put environmental responsibilities high on the agenda, including investing in LEED (Leadership in Energy and Environmental design)-certified stores, as well as increased marketing and communication to increase customer awareness of the Company's 25p reusable cup discount to reduce paper cup use.

PRINCIPAL RISKS AND UNCERTAINTIES

The retail specialty coffee market environment remains highly competitive with all of the main players seeking to grow market penetration. The Company's objective is to maintain Starbucks as a well-recognised and respected brand. To achieve this goal, the Company plans to grow revenue and profits in existing stores and other channels, to add new stores through a disciplined approach, and to introduce relevant new products.

The potential business risks and uncertainties which could have a significant effect on the achievement of these objectives are shown below:

- Economic conditions;
- Damage to the brand by not maintaining product integrity or by not innovating new products, thereby failing to satisfy the existing customer base or attract new customers;
- Failure to anticipate, appropriately invest in and effectively manage the human, information technology and logistical resources necessary to support the growth of the business. This includes ensuring the competence to deliver the Starbucks Experience to millions of customers through multiple sites;
- Adverse impacts resulting from negative publicity regarding the Company's business practices or the health effects of consuming its products;
- Loss of business confidence through failure to maintain or build market share in the intensely competitive UK specialty coffee market;
- Failure to comply with applicable laws and regulations could harm our business and financial results;
- Significant increase in the market price or significant decrease in the availability of high-quality Arabica coffee or fluid milk could adversely affect the Company's business and financial results;
- Following the outcome of the UK referendum to leave the European Union, there remains uncertainty as to how this will impact the Company's opcrations; and
- Foreign currency risk exposure.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The key elements of our system of internal control that minimise and mitigate against the perceived risks are:

Delegation: there is a clear organisational structure with lines of authority and responsibility for control; procedures for reporting decisions, actions and issues. This structure enables management to control activities and resolve issues in a prompt and effective manner.

Reporting: the managing board approves and reviews the annual operating plan and quarterly forecasts. Key business performance indicators are reviewed and monitored on a regular basis. This ensures the Company maintains performance standards in respect of, but not limited to, financial results, beverage and food experience to customers, cleanliness of stores and health and safety issues.

Internal audit: an internal audit function, based in Seattle, conducts an annual evaluation of the Company's internal control over financial reporting which includes a written assessment of the effectiveness of such controls under Section 404 Sarbanes-Oxley Act.

Financial risk management: the financial risk management objectives and policies are designed to ensure that the Company has sufficient proceeds from financial assets to fund obligations from liabilities as they fall due. The most important components of financial risks are interest rate risk, currency risk, credit risk, cash flow risk and price risk. The Company does not have any third-party loans. It relies on the support of its ultimate parent, Starbucks Corporation, which is able to provide loans as required.

Due to this policy and the nature of the Company's business as a retailer, the directors consider interest rate risk, cash flow risk and credit risk are mitigated. Interest rate hedging has not been considered necessary during the period. The directors consider the most relevant financial risks are price risk and currency risk. Although coffee prices are subject to considerable volatility, Starbucks tends to trade on a negotiated basis with long term partners at a substantial premium above commodity coffee prices. The directors consider that these two factors reduce exposure to price risk. The business does not currently consider its foreign exchange exposure to be significant and hence does not have any forward contracts in place.

Impact of EU exit

Following the outcome of the UK referendum to leave the European Union, there remains uncertainty as to how this will impact the Company's operations. The directors continue to monitor the progress and how this will impact the Company, with the main areas at risk being identified, split between the micro and macro-economic impacts. The micro-economic risks being evaluated and mitigated against include the supply of roasted coffee and the hiring of labour, whilst the main macro-economic risk identified is consumer sentiment and behaviour. The Company continues to monitor the progress of the UK referendum results and mitigates the risks identified.

The report and financial statements were approved and authorised for issue by the board of directors on 25 June 2019.

A Rayner
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

The directors present their report and the audited financial statements of Starbucks Coffee Company (UK) Limited ("the Company") for the 52-week period ended 30 September 2018 (2017: 52-week period ended 1 October 2017).

Disclosures required under s416 (4) which have been elevated to the strategic report are:

- Financial risk management objectives and policies.

DIRECTORS

The directors of the Company who served throughout the period, except as noted, were:

P Harris (resigned 14 December 2018)
N Shores
R Marshall (appointed 29 May 2018)
J Dunlop (appointed 29 May 2018, resigned 14 December 2018)
M Sebastian (appointed 29 May 2018, resigned 14 December 2018)
A Rayner (appointed 22 January 2019)

DIVIDENDS

During the year the company did not pay a dividend (2017: £46,000,000)

PRINCIPLE ACTIVITIES

The principle activities of the Company are the retail and wholesale trade of gourmet coffee, tea and related products in the United Kingdom.

GOING CONCERN

The Company relies on the support of its ultimate parent company, Starbucks Corporation, which is able to provide loans as required.

Having taken account of a commitment of financial support from Starbucks Corporation for at least the next 12 months and the Company's forecasts and projections, notwithstanding the current uncertain economic conditions, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

FUTURE DEVELOPMENTS

The Company is cautious on the outlook going into 2019 due to the challenging market conditions that are likely to continue. While this may impact comparable (like for like) sales per store, we expect the business to hold up well as we maintain focus on cost management alongside the strategic realignment of our portfolio.

EVENTS SINCE THE BALANCE SHEET DATE

There have been no material events since the balance sheet date, which impact the results reported in these accounts or which require disclosure.

DISABLED EMPLOYEES (PARTNERS)

The Company recognises its responsibility towards disabled individuals and gives full and fair consideration to applicants in positions suited to their particular abilities where appropriate openings exist. Where employees become disabled during their service, every effort is made to provide them with meaningful support and assistance and continued employment.

EMPLOYEE (PARTNER) INVOLVEMENT

Starbucks believes our partners are integral to the success of the business and is committed to supporting them through a number of initiatives.

The Company is committed to supporting the UK Skills Agenda. We are very pleased to be able to play our part in helping committed young people acquire new skills and paid employment. Our priority is to inspire and enable young people, to build sustainable life and career development through an educational route that works for them, while facing the realities of paying the bills. This is supported through offering quality progressive apprenticeships, working with local schools and colleges and being one of the leading employers to support the NCS Headstart programme. Headstart focuses on helping young people to be successful in work by volunteering and completing employability workshops and understanding how those skills can be an alternative to the traditional educational route.

Aside from our commitment to opportunity youth, we have a strong legacy of being a diverse and inclusive employer, operating a number of different social impact projects and initiatives within the communities which we operate. These include initiatives aimed at supporting those who are furthest away from the job market through pre-employment training programmes, specifically targeting those who are not in employment, education and training and priority groups such as veterans and refugees – in 2018 we hired 81 refugees in the UK and plan to expand with a further 100 hires in 2019.

We continue to make progress in developing our partners skills and we remain committed to our apprenticeship programmes. Within the last 12 months, we started a further 158 apprenticeships, bringing the total to over 1400 apprenticeships across different levels, since we launched the programme in April 2012.

We will continue to commit to apprenticeships in 2019 and aspire to offer a further 200 apprentices across level 2 (barista), level 3 (shift supervisor), levels 4 and 5 higher apprenticeships for store and district managers, as well as a suite of apprenticeships in a variety of different disciplines all the way up to level 6, Degree, for our head office support centre and field based partners. In addition to this, we have extended our apprenticeship programmes to our franchise partners, with take-up already on both our level 2 and 3 programmes. We are committed to maximising our apprenticeship levy and have continued to innovate and redesign our programmes to comply with new apprenticeships standards.

We are committed to supporting our franchised owners to provide great training for partners. By focusing on the partner experience, we have seen partner retention improve whilst enabling us to fill skills gaps and improve our bench strength.

We have made good progress in providing ongoing support for our retail leadership teams, having focused on coaching to improve performance with district managers and store managers. We have seen an improvement in leadership, particularly around engaging and developing their

EMPLOYEE (PARTNER) INVOLVEMENT (continued)

teams and enhancing the customer experience. We will continue in FY19 to focus on enhancing partners' skills and confidence to lead their team – whether in retail or support roles.

Starbucks continues to engage with partners through listening groups and the partner blend committee – which is akin to an employee council. We are able to effectively engage in two-way communication and encourage partners to help us continue to improve our business processes and key performance indicators.

DIRECTORS' LIABILITIES

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the directors' report.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The report and financial statements were approved and authorised for issue by the board of directors on 25 June 2019.

A Rayner
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2018

The directors are responsible for preparing the Annual Report and the financial statements 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 have elected to prepare the 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 financial statements 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 company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STARBUCKS COFFEE COMPANY (UK) LIMITED (CONTINUED)

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Starbucks Coffee Company (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its result for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information

and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STARBUCKS COFFEE COMPANY (UK) LIMITED (CONTINUED)

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Timothy Steel (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25th June 2019

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	30 September 2018 £	1 October 2017 £
TURNOVER	3	387,565,296	372,290,050
Cost of sales		(331,353,549)	(301,302,042)
GROSS PROFIT		**56,211,747**	**70,988,008**
Administrative expenses		(75,243,066)	(70,317,664)
OPERATING (LOSS)/PROFIT	4	**(19,031,319)**	**670,344**
Profit on sale of tangible fixed assets	3	1,859,286	3,716,689
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE INCOME/(CHARGE)		**(17,172,033)**	**4,387,033**
Interest receivable and similar income	7	41,892	167,316
Interest payable and similar charges	8	(94,722)	(4,354)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**(17,224,863)**	**4,549,995**
Tax expense for the period	9	(4,047,285)	(3,293,536)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(21,272,148)**	**1,256,459**

STARBUCKS COFFEE COMPANY (UK) LIMITED

BALANCE SHEET
AS AT 30 SEPTEMBER 2018

	Note	30 September 2018 £	1 October 2017 £
FIXED ASSETS			
Tangible fixed assets	10	51,222,155	43,397,371
		51,222,155	43,397,371
CURRENT ASSETS			
Deferred tax asset	17	136,111	201,104
Stocks	11	1,507,129	1,736,018
Debtors:			
- Amounts falling due within one year	12	40,447,056	35,726,599
- Amounts falling due after one year	13	452,227	635,598
		40,899,283	36,362,197
Cash at bank and in hand		44,572,609	10,496,325
		87,115,132	**48,795,644**
CREDITORS - amounts falling due within one year	14	(101,413,115)	(52,527,153)
NET CURRENT LIABILITIES		**(14,297,983)**	**(3,731,509)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,924,172**	**39,665,862**
CREDITORS - amounts falling due after more than one year			
Accruals and deferred income	15	(19,014,286)	(16,523,167)
Provisions	16	(14,084,986)	-
NET ASSETS		**3,824,900**	**23,142,695**
CAPITAL AND RESERVES			
Called up share capital	18	316,985	316,985
Share premium account	19	-	-
Retained funds	20	3,507,915	22,825,710
SHAREHOLDER'S FUNDS		**3,824,900**	**23,142,695**

The notes on pages 15 to 29 are an integral part of these financial statements.

The financial statements of Starbuck Coffee Company (UK) Limited (registered number 02959325) were approved by the board of directors on 25 June 2019 and were signed on its behalf by

A Rayner
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SPTEMBER 2018

	Note	Called up share capital £	Share premium account £	Retained (deficit)/funds £	Total equity £
		17	18	19	
At 2 October 2016		**316,985**	**330,789,024**	**(264,907,209)**	**66,198,800**
Profit for the period		-	-	1,256,459	1,256,459
Total comprehensive income for the period		-	-	**1,256,459**	**1,256,459**
Capital contribution for equity settled share-based payments		-	-	1,687,436	1,687,436
Capital reduction		-	(330,789,024)	330,789,024	-
Dividends paid		-	-	(46,000,000)	(46,000,000)
At 1 October 2017		**316,985**	-	**22,825,710**	**23,142,695**
Loss for the period		-	-	(21,272,148)	(21,272,148)
Total comprehensive expense for the period		-	-	**(21,272,148)**	**(21,272,148)**
Capital contribution for equity settled share-based payments		-	-	1,954,353	1,954,353
At 30 September 2018		**316,985**	-	**3,507,915**	**3,824,900**

The notes on page 15 to 29 are an integral part of these financial statements.

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Starbucks Coffee Company (UK) Limited (the "Company") for the period ended 30 September 2018 were authorised for issue by the board of directors on 25 June 2019 and the balance sheet was signed on the board's behalf by A Rayner.

Starbucks Coffee Company (UK) Limited is incorporated in the United Kingdom and registered in England and Wales.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2016 that are effective for accounting periods beginning on or after 1 January 2017.

The Company's financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates in and all values are rounded to the nearest pound (£) except when otherwise indicated.

These financial statements are separate financial statements. The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Starbucks Corporation.

The results of Starbucks Coffee Company (UK) Limited are included in the consolidated financial statements of Starbucks Corporation, which are available from the Investor Relations section of the Starbucks website at investor.starbucks.com.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES

2.1. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

The Company has adopted FRS 101 for all periods presented. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 30 September 2018. The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  (iii) paragraph 118(e) of IAS 38 Intangible Assets;
(d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

2.1. Basis of preparation (continued)

(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2.2. Going concern

Having taken account of a commitment of financial support from Starbucks Corporation for at least the next 12 months and the Company's forecasts and projections, notwithstanding the current uncertain economic conditions, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Functional currency
The functional currency is the currency of the primary economic environment in which the Company operates. IAS 21, “The effects of Changes in Foreign Exchange Rates”, requires the company to consider certain indicators when determining the functional currency of the Company. Management applies judgement to determine the functional currency of the Company based on the Company’s relevant facts and circumstances. Management has determined the functional currency to be pounds sterling.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of tangible assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. During the current period, the Company assessed the assets using a discount rate of 8.73% and an annual growth rate of 2.5% (see note 10).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless

2.3. Significant accounting judgements, estimates and assumptions (continued)

the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Onerous Leases
Provision has been made in respect of leasehold properties for loss making trading stores, for the remaining period of the lease. The amount provided is based on the future rental obligations together with other fixed outgoings, net of any sub-lease income. Significant assumptions are used in making these calculations and changes in assumptions and future events could cause the value of these provisions to change.

Taxation
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details are contained in note 17.

2.4. Significant accounting policies

a) Foreign currency translation
The company's financial statements are presented in pounds sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.4. Significant accounting policies (continued)

The Company's financial assets include cash and short-term deposits.

Impairment of financial assets
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

c) Financial liabilities
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Amounts owed to group undertakings are recognised at amortised cost, using the Effective Interest Rate ("EIR") method.

Interest-bearing loans and borrowings
Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

d) Fair values
The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

e) Tangible fixed Assets
Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets to write off their cost, less estimated residual value, on a straight-line basis over their estimated useful lives as follows:

2.4. Significant accounting policies (continued)

Short leasehold property	Length of the lease
Fixtures and fittings	4-7 years
Plant and equipment	3-5 years
Asset retirement obligation	Length of the lease

Assets in the course of construction are stated at cost and are not depreciated as they are not in use at the period end.

f) Stocks
Stocks are stated at the lower of their cost and net realisable value.

g) Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

h) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.
Onerous leases
The Company operates numerous leases, predominately property leases. For leases in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it the Company will provide for the net lease costs. In 2018 the company provided for £20,710,217.

i) Income taxes
The income taxes are calculated in accordance with tax requirements in the UK.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2.4. Significant accounting policies (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

j) Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.
Royalty and license income
Revenue earned from the use of Company's license is recognised on an accrual basis in accordance with the substance of the relevant agreements.
Interest income
Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.
Dividends
Revenue is recognised when the Company's right to receive payment is established.
Store value cards
There are no expiration dates on our stored value cards and we do not charge service fees that cause a decrement to customer balances. While we will continue to honour all stored value cards presented for payment, management may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances, unredeemed card balances may then be recognized as breakage income, which is included in turnover. In fiscal 2018 we recognized breakage income of £7,381,900 (2017: £nil).

k) Operating leases
Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on this basis. Premiums paid to former tenants to acquire operating leases are classified as prepayments and amortised over the lease term.

l) Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.
The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original

2.4. Significant accounting policies (continued)

estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

3. TURNOVER

	30 September 2018 £	1 October 2017 £
Company owned stores	256,970,720	259,183,823
Licensing & Franchising	104,704,714	90,305,800
Foodservices and other	18,507,962	22,800,427
Store value card breakage	7,381,900	-
Turnover from continuing operations	**387,565,296**	**372,290,050**
Other operating income		
Interest receivable and similar income	41,892	167,316
Profit on sale of tangible fixed assets	1,859,286	3,716,689
Total turnover	**389,466,474**	**376,174,055**

Turnover from continuing operations represents the invoiced amount of goods and services supplied in the period net of VAT and discounts.

All turnover derives from the Company's principal activities in the UK.

Company operated retail store revenues are recognised when payment is tendered at the point of sale. Other revenue consists primarily of product sales to customers other than through company-operated retail stores, as well as royalties and other fees generated from licensing and franchising operations. Sales of coffee, tea and related products are generally recognised upon shipment to customers, depending on contract terms.

No revenue was derived from exchanges of goods or services.

4. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	30 September 2018 £	1 October 2017 £
Fees payable to the Company's auditor (see note 5)	131,350	109,859
Operating leases - land and buildings	56,474,707	40,257,467
Royalties and license fees	27,410,192	26,829,604
Inventories	147,775,898	143,235,197
Bad debt expense	105,579	154,078
Foreign exchange losses	213,469	403,025
Onerous lease provision	20,710,216	-
Share-based payments (see note 22)	1,954,353	1,687,436
Depreciation of tangible fixed assets	7,426,044	5,708,181
Impairment of tangible fixed assets	4,205,777	5,408,829
Profit on disposal of tangible fixed assets	(1,859,286)	(3,716,689)
Staff costs (see note 6)	95,103,616	88,743,819

4. PROFIT FOR THE YEAR (Continued)

The impairment loss of £4,205,777 (2017: loss of £5,408,829) was measured by reference to the value in use of the assets over their useful life using an assumed growth rate of 2.5% (2017: 2.5%) and a discount rate of 8.73%.

5. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP for the audit of the company's annual accounts were £131,350 (2017: £109,859).

Fees payable to Deloitte LLP for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

6. STAFF COSTS AND DIRECTORS' REMUNERATION

	30 September 2018	1 October 2017
Staff costs, including directors	**£**	**£**
Wages and salaries	88,943,396	82,325,178
Social security costs	5,545,592	5,581,654
Other pension costs	614,628	836,987
	95,103,616	**88,743,819**

Average number employed	**No.**	**No.**
Store partners	5,061	5,164
Administration	210	215
	5,271	**5,379**

Directors' remuneration	**£**	**£**
Emoluments	400,641	316,740
Pension scheme contributions	8,268	8,040
	408,909	**324,780**

Highest paid director	**£**	**£**
Emoluments	254,696	183,640
Pension scheme contributions	4,734	4,592
	259,430	**188,232**

	No.	**No.**
The number of directors who were members of pension schemes was as follows:	2	2

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	30 September 2018 £	1 October 2017 £
Interest receivable:		
Bank interest receivable	3,276	22,389
Interest receivable from related parties	-	144,517
Interest receivable from third parties	38,616	410
	41,892	**167,316**

8. INTEREST PAYABLE AND SIMILAR CHARGES

	30 September 2018 £	1 October 2017 £
Interest Payable:		
Interest payable to third parties	89,389	4,354
Interest payable to related parties	5,333	-
	94,722	**4,354**

9. TAXATION

	30 September 2018 £	1 October 2017 £
Corporation tax:		
UK corporation tax	3,516,749	3,029,225
Adjustments in respect of prior years		
- UK corporation tax	465,543	-
	3,982,292	3,029,225
Deferred tax (see note 17)	64,993	264,311
	4,047,285	**3,293,536**

Corporation tax is calculated at 19.0 per cent (2017: 19.5 per cent) of the estimated taxable profit for the year.

The Finance Act 2016 (which was substantively enacted on 15 September 2016) provides for further reductions in the main tax rate down to 19% effective from 1 April 2017 and to 17% effective from 1 April 2020.

9. TAXATION (continued)

The charge for the year can be reconciled to the (loss)/profit in the profit and loss account as follows:

	30 September 2018 £	1 October 2017 £
(Loss)/profit before tax on continuing operations	(17,224,863)	4,549,995
Tax at the UK corporation tax rate of 19.0% (2017: 19.5%)	(3,272,724)	887,249
Tax effect of expenses not deductible for tax purposes	3,830,175	14,257
Fixed asset differences not recognised (see note 17)	2,997,538	2,166,963
Share based payments	29,690	210,172
Differences on expenses	(2,937)	14,895
Adjustments in respect of prior years	465,543	-
Tax expense for the year	**4,047,285**	**3,293,536**

10. TANGIBLE FIXED ASSETS

	Short leasehold property £	Fixtures and fittings £	Plant and equipment £	Asset retirement obligation £	Assets in course of construction £	Total £
Cost						
As at 1 October 2017	65,191,854	53,335,033	29,811,841	3,114,702	4,070,664	155,524,094
Additions	15,038,768	1,373,788	6,564,093	50,000	-	23,026,649
Disposals	(7,053,620)	(3,381,853)	(2,281,374)	(95,572)	(1,615,840)	(14,428,259)
As at 30 September 2018	**73,177,002**	**51,326,968**	**34,094,560**	**3,069,130**	**2,454,824**	**164,122,484**
Depreciation						
As at 1 October 2017	52,473,681	30,685,344	25,947,150	3,020,548	-	112,126,723
Charge for the year	4,401,668	333,113	2,691,262	-	-	7,426,043
Disposals	(6,044,122)	(3,284,295)	(1,460,998)	(68,799)	-	(10,858,214)
Impairment	2,493,027	616,847	1,095,903	-	-	4,205,777
As at 30 September 2018	**53,324,254**	**28,351,009**	**28,273,317**	**2,951,749**	**-**	**112,900,329**
Net book value						
As at 30 September 2018	**19,852,748**	**22,975,959**	**5,821,243**	**117,381**	**2,454,824**	**51,222,155**
As at 1 October 2017	**12,718,173**	**22,649,689**	**3,864,691**	**94,154**	**4,070,664**	**43,397,371**

10. TANGIBLE FIXED ASSETS (CONTINUED)

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.
An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.
During the period, the Company assessed the assets value in use using a growth rate of 2.5% and a discount rate of 8.73% over the economic life of the assets.

11. STOCKS

	30 September 2018	1 October 2017
	£	£
Goods for resale	1,507,129	1,736,018

There is no material difference between the balance sheet value of stocks and their replacement cost.

12. DEBTORS – amounts falling due within one year

	30 September 2018	1 October 2017
	£	£
Trade debtors	20,197,849	18,148,912
Other debtors	3,279,701	5,869,061
Amounts due from other group undertakings	14,536	614,859
Prepayments	16,954,970	11,093,767
	40,447,056	**35,726,599**

13. DEBTORS – amounts falling due after more than one year

	30 September 2018	1 October 2017
	£	£
Prepayments	452,227	635,598
	452,227	**635,598**

14. CREDITORS – amounts falling due within one year

	30 September 2018	1 October 2017
	£	£
Trade creditors	16,514,742	4,626,063
Amounts owed to group undertakings	59,091,949	17,454,921
Other taxation and social security	6,172,989	8,800,266
Other creditors	2,908,903	2,682,428
Accruals	2,413,370	17,006,951
Deferred income	7,684,932	1,956,524
Onerous lease provision – current portion (see note 16)	6,625,230	-
	101,413,115	**52,527,153**

15. CREDITORS – amounts falling due after more than one year

	30 September 2018	1 October 2017
	£	£
Accruals	5,844,790	4,249,956
Deferred income	13,169,496	12,273,211
	19,014,286	**16,523,167**

16. PROVISIONS

	Onerous lease
	£
Balance at 1 October 2017	-
Additions	14,084,986
As at 30 September 2018	**14,084,986**

During the year, the Company made a provision for onerous leases on leases where it deemed the aggregate cost to fulfil the lease was greater than the economic benefit to be obtained from the leases.

17. DEFERRED TAX

The following are the major deferred tax assets recognised by the company and movements thereon during the current and prior reporting period.

	Defined contribution obligations £	Share based payments £	Lease premium adjustments £	Total £
At 1 October 2017	12,034	93,224	95,846	201,104
Charge to profit or loss	(2,870)	(29,690)	(32,433)	(64,993)
At 30 September 2018	**9,164**	**63,534**	**63,413**	**136,111**

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 September 2018 £	1 October 2017 £
Deferred tax asset	136,111	201,104
	136,111	**201,104**

At the balance sheet date, the deferred tax asset not recognised in the financial statements, principally in relation to capital allowances, which the directors to not intend to claim, amounts to £33,859,776 (2017: £31,363,540).

18. CALLED UP SHARE CAPITAL

	30 September 2018 £	1 October 2017 £
Authorised		
Allotted, called-up and fully-paid		
3,169,850 ordinary shares of £0.10 each	316,985	316,985

19. SHARE PREMIUM ACCOUNT

	£
Balance at 2 October 2016	330,789,024
Capital reduction	(330,789,024)
Balance at 1 October 2017	-
As at 30 September 2018	-

During the prior year, the company performed a capital reduction and reduced its share premium to £nil, which became a distributable reserve.

20. RETAINED FUNDS

	£
Balance at 1 October 2017	22,825,710
Net loss for the year	(21,272,148)
Capital contribution for equity-settled share-based payments	1,954,353
As at 30 September 2018	**3,507,915**

21. CONTINGENT LIABILITIES AND COMMITMENTS

At 30 September 2018, the Company had entered into commitments for capital expenditure of £4,075,372 (2017: £2,776,820).

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings	
	Period ended 30 September 2018	**Period ended 1 October 2017**
Leases expiring in	**£**	**£**
Less than one year	34,758,296	38,160,999
Within two to five years	106,002,032	111,153,512
More than five years	66,939,201	59,599,634
	207,699,529	**208,914,145**

Operating lease payments represent rentals payable by the group for certain of its store properties. Leases are typically negotiated for an average term of 15 years and rentals are fixed for an average of 5 years with an option to extend for a further 5 years at the then prevailing market rate. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

22. SHARE-BASED PAYMENTS

Equity-settled share option scheme
The Company participates in a share option scheme for all employees. Options are exercisable on the shares of the ultimate parent company, Starbucks Corporation, at a price equal to the estimated fair value of the parent company's shares on the date of grant and are treated as equity-settled share-based payments.

The weighted average share price at the date of exercise for share options exercised during the period was $47.00. The options outstanding at 30 September 2018 had exercise prices ranging from $4.32 to $60.68, and a weighted average remaining contractual life of 10 years. In fiscal 2018, options were granted on 15 November 2017. The aggregate of the estimated fair values of the options granted on that date is $2,348,907.

23. PARENT COMPANY AND ULTIMATE PARENT COMPANY

The Company's immediate parent company and controlling party is Starbucks Coffee Holdings (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales. Starbucks Corporation, a company registered in the state of Washington, USA, is considered to be the ultimate parent and controlling party, and is the largest and smallest group in which the results of the Company are consolidated.

Copies of the consolidated accounts of Starbucks Corporation can be obtained from the Investor Relations section of the Starbucks website at investor.starbucks.com.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes
The Company operates defined contribution retirement benefit schemes for all qualifying partners. The assets of the schemes are held separately from those of the company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions.

The total cost charged to income of £614,628 represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 30 November 2018, contributions of £25,168 due in respect of the current reporting period had not been paid over to the schemes.

25. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by FRS 101 *Reduced Disclosure Framework* in relation to paragraph 17 of IAS 24 Related Party Disclosures not to disclose related party transactions with wholly owned Starbucks group companies.