

**Starbucks Coffee Company (UK)  
Limited**

Report and Financial Statements

For the 53-week period ended 3 October 2021

Company Number 02959325



## Starbucks Coffee Company (UK) Limited

### Company Information

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<b>Directors</b>	R Marshall N Allen A Rayner
<b>Registered number</b>	02959325
<b>Registered office</b>	Building 4 Chiswick Park 566 Chiswick High Road London W4 5YG United Kingdom
<b>Independent auditor</b>	Deloitte LLP Statutory Auditor London EC4A 3TR
<b>Bankers</b>	Citibank Citigroup Centre Canary Wharf London E14 5LB
<b>Solicitors</b>	Gowling WLG LLP 2 Snowhill Birmingham BR4 6WR

# Starbucks Coffee Company (UK) Limited

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# Starbucks Coffee Company (UK) Limited

## Strategic report

For the period ended 3 October 2021

The directors present their Strategic report for the 53-week period ended 3 October 2021 (2020: 52-week period ended 27 September 2020) 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 principal activities of the Company are the retail and wholesale trade of gourmet coffee, tea and related products in the United Kingdom. It is a wholly owned subsidiary of Starbucks Coffee Holdings UK Limited, which in turn is owned by Starbucks Corporation.

The Company has been licensed, by Starbucks EMEA Ltd, to utilize the Starbucks brand across the United Kingdom, for which it pays royalties.

### Financial review and key performance indicators

The profit for the period, after taxation, is a profit of £7.9M (2020 loss: £(36.5)M).

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 53 week period were as follows (compared to a 52 week period in the prior year):

	3 October 2021	27 September 2020
	£m	£m
Turnover	328.0	243.3
Operating profit/(loss)	16.5	(37.4)
Profit/(Loss) for the financial period	7.9	(36.5)
Shareholder's funds	17.6	6.6
Current assets as a % of current liabilities ('quick ratio')	45.8%	45.6%
<b>Number of stores and employees</b>		
Total number of stores at year end	1,000	935
Number of company operated stores	297	288
Average number of employees	4,009	4,297

The full results for the period are shown on page 21. Revenue in the period increased by 35% to £328.0M (2020: £243.3M) in a year where the Company continued its recovery from the impact of Covid19. The profit for the period, after taxation, is a profit of £7.9m (2020 loss: £(36.5)M)

The year has seen the Company progress with its recovery from the first lockdown in March 2020, where all stores were temporarily closed. However, the first half of the 2021 financial year was impacted by the UK's second and third lockdown. Stores moved to a reduced operating model from November 2020 to March 2021 based on Government guidance. With indoor cafe seating restricted, the Company operated primarily through its Takeaway, Delivery and Drive Thru channels during these lockdown periods. On 20<sup>th</sup> March 2021, with restrictions beginning to ease, the Company saw strong demand for its products as it moved back to its standard operating model. The Company's cafes welcomed customers to sit in as government guidelines allowed, with social distancing guidelines and other health and safety measures in place to provide the Starbucks customer experience but also protect both the consumer and in-store employees (partners).

The Company's sales recovery has been supported by the strength of the Drive Thru and Delivery channels as well as a strong footfall recovery in suburban and retail park locations. Office, travel and inner city location footfall has been slower to recover however have started to strengthen towards the end of the year.

## Starbucks Coffee Company (UK) Limited

### Strategic report (continued)

For the period ended 3 October 2021

The Company continues to seek growth through its license and franchise partners as part of its core strategy. The Company now has a total of 1000 stores in the UK, of which 297 are Company owned and 703 are Licensed/Franchised stores, representing a 30/70 ratio.

Operating profit for the period increased to £16.5M (2020: Loss of £(37.4)M). The operating margin grew to 5.0% (2020: (15.4)%). These were primarily driven by the recovery of sales in both Company owned stores and Licensed/Franchised stores. While stores operated at times through a reduced operating model the Company did not place any partners on furlough, consistent with the approach in FY20 not to take any opt in government support.

The Company reported a profit before tax in the period, of £13.3M (2020: loss before tax of £(40.9)M). In the prior year, the Company received a one-time service fee equal to £16.0M from Starbucks EMEA Ltd for the Company's execution in the UK of the EMEA market realignment strategy. The current year result included a net impairment reversal of £2.4m, including impairments on 7 stores of £(0.6)m (2020: £(10.4)m), and reverse impairments on 16 stores of £3.0m (2020: £0.0m).

During the period, the Company reported a UK corporation tax charge of £5.4M (2020 credit: £4.4M), reflecting the charge on taxable profits in the period, deferred tax timing differences, accounting adjustments made for fixed asset charges and non-deductible expenses.

The average headcount number for FY21 was 4010 (FY20: 4297). A headcount breakdown can be found within note 8 of the accounts.

### Business Overview

The UK market continues to experience a shift in consumer demand and sentiment, with footfall having not recovered on traditional high streets and shopping districts and consumers increasingly making retail purchases online. Investment continues to support the drive thru and other on-the-go formats and delivery platforms, which continue to grow from strength to strength as consumer behavioural changes developed during the pandemic are persisting. At the year end a total of 611 stores were on the delivery platforms, across various cities in the UK. The Company now operate with three delivery aggregators (Uber, Just Eat and Deliveroo), two of which were onboarded in the year. Mobile order and pay (MOP) continues to be a key focus for the Company, with a new reward system in place from FY20, and investment made in the mobile platform. Although cash was brought back into stores within the year the business has seen consumer trends move towards digital payments and looks to build upon this through the rollout of further digital initiatives to streamline the customers online experience.

Recovery of transactions has been gradual however the overall sales recovery of the business has been supported by strong ticket growth. The ticket growth the company has experienced has been supported by growth in cold beverages, a higher rate of food sales in transactions. delivery growth and strategic price increases.

The Company has been in discussions with its landlords following the pandemic to seek rent concessions where trade has been impacted and to regear leases where property values have fallen. The Company successfully managed to negotiate rent concessions with many of its landlords in the year. These were taken as one off credits within the cost of sales line of the P&L where they met the conditions of the IFRS16 practical expedient. Combined with the business rates holidays provided by the governments of England, Scotland and Wales, these helped mitigate the Company's performance during periods of lower footfall. Business rates support was only received by the company where it was automatically applied. The Company will look to utilise break clauses in its lease agreements where leases are no longer competitive and will continually reassess its store portfolio as the footfall recovery continues.

The Company is also contending with operating cost increases at the same time as competition intensifies, with takeaway food chains and restaurants focusing on coffee as a secondary discounted offer. The Company aims to provide a quality consumer focused product and service to retain and grow its market share. Some of the competition has been weakened by the pandemic, providing an opportunity for the Company to increase its market share further. The Company has experienced

# Starbucks Coffee Company (UK) Limited

## Strategic report (continued)

For the period ended 3 October 2021

challenges in its supply chain with shortages of HGV drivers, packaging material shortages, rising supplier costs and shipping delays. The Company and its suppliers have also experienced a shortage of available labour since the reopening of the economy caused by the combined impact of Brexit and the pandemic on labour supply. The Company seeks to be an employer of choice and continually reviews its pay and benefits structures to remain an attractive employer. The labour shortage and rises in the national living wages are leading the Company and its competitors to drive innovation within the industry to increase labour productivity both in stores and in the supply chain.

Despite the impact of COVID-19, the Company opened 14 new company operated stores during FY21, whilst 5 stores permanently closed. New store openings were targeted in key drive thru locations with high traffic counts. In total, the Company has 242 drive thru stores at the end of FY21, 24 Company owned stores, and 218 licensed/franchised stores. Growth in the company operated estate will be targeted on key city and drive thru locations, with a focus on store format innovation and high traffic count drive thru locations across the United Kingdom.

The Company has increased the number of licensed stores and franchised stores by a net 18 and 38 respectively, representing a 30/70 ratio of company operated to licensed stores (31/69 ratio in 2020). We have been very encouraged by the performance of these stores and the Company expects more to open in FY22 as part of its targeted strategy for growth. The Company expects store growth to be driven primarily by its licensed partners.

The company in the year also paid off its intercompany loan of £25m with Starbucks Corporation, and as of the year end date the Company is debt free. The Loan was provided to offset the impact of COVID-19.

### Impact of COVID-19

As a result of the global pandemic caused by COVID-19, further restrictions were introduced by the Government during the first half of FY21. Although this was a national lockdown, the Company continued to operate with a reduced operating model during this period through its digital and delivery channels, including its Drive Thru estate. Partner and customer safety was the highest priority within stores during this time and throughout FY21, various protection measures were made in store including screens, work station dividers, limited footfall through stores and other safety measures.

The Company has continued to monitor the situation and assess changes required to operational practices to comply with the complexity of constantly evolving regional and national lockdown guidelines. The operational model adopted during the first national lockdown has supported the Company in adapting to this volatile regulatory environment.

The Company has seen a gradual recovery in footfall and uplift in sales following the successful rollout of the vaccine and loosening of lockdown restrictions. Although transactions across all store formats improved, we have not yet reached pre pandemic levels. Certain store formats such as office, travel and inner city stores were slower to recover, but footfall began to improve in cities towards the end of the financial year with the return to offices.

The Company saw further impacts in FY22 due to the Omicron variant which resulted in government guidance to work from home where possible. This had an adverse effect on footfall for certain store formats that were slowly recovering within FY21, including office and city locations. The Company continues to mitigate the impact of variants through its flexible operating model which has allowed stores to continue to operate. Recovery in the above store formats is expected as Government have now eased final COVID-19 restrictions.

### Principal risks and uncertainties

The retail speciality 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

## Starbucks Coffee Company (UK) Limited

Strategic report (continued)  
For the period ended 3 October 2021

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 speciality 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 operations.
- Foreign currency risk exposure.
- COVID-19 impacts including change in consumer behaviour and lasting economic damage -see below the section of Impact of COVID-19.
- Increases to labour costs and/or a shortage of available labour.

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:** 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 controls 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 and details are outlined under the Going Concern section of the Directors' report.

## Starbucks Coffee Company (UK) Limited

Strategic report (continued)  
For the period ended 3 October 2021

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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.

### Section 172 Statement

In accordance with Section 172 of the Companies Act 2006, the directors of the Company have acted in a way they consider to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they have regard to the factors noted below:

- a) The likely consequences of any decision in the long term;
- b) The interests of the Company's employees;
- c) The need to foster the Company's business relationships with suppliers, customers and others;
- d) The impact of the Company's operations on the community and the environment;
- e) The desirability of the Company maintaining a reputation for high standards of business conduct; and;
- f) The need to act fairly as between members of the Company

The Company's business model and strategy is designed to have a long-term, beneficial impact on the Company's success by ensuring the continued success of the Starbucks experience through the sale of coffee to the general public.

The Company's employees are the cornerstone of its business and the Company ensures its common values are shared and spread. To meet standards of excellence, the health, safety and well-being of the Company's employees are key. The directors are dedicated to developing all employees' talents to reach the Company's goal and meet on a regular basis with employees to provide assistance. Directors also agree and oversee required training, including health and safety.

The Company aims to act responsibly and fairly and directors, together with management, engages with its regulators, investors and suppliers. Directors are regularly updated by management on developments in market regulations which allows them to make informed decisions.

The Company is motivated to lead in sustainability within the coffee space and taking care of the environment. This underpins the Company's aim to develop projects in a sustainable way and to be an active member in the local communities.

Starbucks Coffee UK recognises that sustainability needs to be integrated across our EMEA business, as well as being led from the top, to achieve our global targets.

A Rayner, as General Manager for the UK business is responsible for ensuring the UK drive sustainability within the business. UK progress is reported to the EMEA Sustainability Council, comprised of the EMEA Leadership Team (LT), including the Directors of the EMEA Company, which provides the central governance mechanism, responsible for overseeing the EMEA sustainability strategy, targets and progress. The Sustainability Committee is Chaired by our EMEA President and is convened every six weeks to makes strategic and operational decisions to support the delivery of our regional sustainability strategy.

## Starbucks Coffee Company (UK) Limited

Strategic report (continued)  
For the period ended 3 October 2021

The EMEA President has oversight of all sustainability policies, programs and reporting and represents the EMEA region at a global meeting of the Environment Council every quarter, Chaired by the Chief Sustainability Officer, Starbucks. The Vice President, Corporate Affairs EMEA, oversees the Social Corporate Impact team in EMEA, that works closely with functions and licensees across the region with an indirect line to Starbucks UK sustainability team.

Directors and management operate the business in a responsible manner by maintaining high standards of business conduct and considering all members of the Company equally and fairly.

### Emissions

As the Starbucks Coffee UK equity business operations starts to recover from the impact of COVID, gas consumption has increased from 1.4MWh in FY20 to 7.4 MWh in FY21 with electricity consumption has increased from 20,546 MWh in FY20 to 21,908 MWh in FY21.

Starbucks Coffee UK's reported CO<sub>2</sub>e Scope 1 & 2 emissions for FY21 has reduced, down 2.9% from 4,653 tCO<sub>2</sub>e in FY21 compared to 4,790 tCO<sub>2</sub>e in FY20 and emissions in CO<sub>2</sub>e normalised by store revenue have decreased by 23% compared to FY20 at 22.9 tCO<sub>2</sub>e/million revenue versus 29.5 tCO<sub>2</sub>e/million revenue respectively.

Declared emissions are calculated on location based data, however, Starbucks Coffee UK voluntarily purchases and retires contractual instruments, supporting the development of the renewable power markets such as wind generation and solar farms, which provides 100% renewable electricity coverage, reducing our net market based carbon emissions to 0 tonnes of CO<sub>2</sub>e as per our commitment to RE100.

### Carbon reporting Methodology

We have reported the total energy consumption for all operational activities within the UK and EMEA registered business' and converted the energy used into carbon dioxide equivalent emissions using the relevant DEFRA Conversion Factors for Green House Gas Reporting for the appropriate years. There are no company owned or controlled vehicles which fall into Scope 1 category. Fuel or energy use is based on purchase invoices; in other cases it has been necessary to obtain estimations. We aim to collate data from at least 75% of data from the Company as defined by floor space area of our offices and data centres, across the total of all UK locations.

In order to represent the impact of the whole Company, a scaling factor is applied to the measured emissions based on representative data collected from the UK floor space area. The aim is to account for the impact of the buildings from which data was not available or collated.

We have used the 'Environmental reporting guidelines: including mandatory greenhouse gas emissions reporting guidance' June 2013, data gathered to fulfil our requirements under the Energy Savings and Opportunity Scheme (ESOS).

We have adopted a methodology that is based on well-established frameworks. These include the UK government's Environmental Reporting guidelines (DEFRA, June 2013) and internationally recognised guidelines such as the WRI/WBCSD Greenhouse Gas Protocol (GHG Protocol).

For the purpose of the intensity calculations, revenue from UK equity stores is taken from our FY21 annual report and accounts.

We are reporting both a location-based and a market-based data

### Impact of Brexit

On the 31 January 2020 the UK formally left the European Union with a transitional period on customs trade and travel in place up to the 31 December 2020.

On the 24<sup>th</sup> December 2020, UK and EU negotiators agreed the EU-UK Trade and Cooperation Agreement that sets out preferential arrangements including in areas that impact the Company such as trade in goods and in services, digital trade and intellectual property. It is underpinned by provisions ensuring a level playing field and respect for fundamental rights. While it will by no means match the

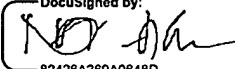
## Starbucks Coffee Company (UK) Limited

Strategic report (continued)  
For the period ended 3 October 2021

level of economic integration that existed while the UK was an EU Member State, the Trade and Cooperation Agreement goes beyond traditional free trade agreements.

The Company has established that its largest import from the EU, roasted coffee from the Netherlands, will be tariff free under this agreement eliminating a significant risk for the Company. There are however additional costs of importing into the UK with the additional border checks and paperwork required when goods enter the UK from the EU. These additional import costs along with port delays are being monitored and alternative sourcing options being considered as appropriate.

This report and financial statements were approved and authorised for issue by the Board of directors on 28 February 2022.

DocuSigned by:  
  
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**N Allen**  
Director

# Starbucks Coffee Company (UK) Limited

## Directors' Report For the period ended 3 October 2021

The directors present their report and the audited financial statements of Starbucks Coffee Company (UK) Ltd (the "Company") for the 53-week period ended 3 October 2021 (2020: 52-week period ended 27 September 2020).

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

- Financial risk management objectives and policies.
- Price risk, credit risk, liquidity risk and cash flow risk

### Principal Activities

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

### Directors

The directors who served throughout the period and up to the date of signing the financial statements, except as noted, are shown below:

R Marshall  
N Allen  
A Rayner

### 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.

### Dividends

During the period, the Company did not pay or recommend to pay a dividend (2020: £nil).

### Going concern

The Company relies on the support of its ultimate parent company, Starbucks Corporation, which provided a credit facility of £25m to the Company in May 2020 to provide liquidity as a result of the impact of COVID-19. The Company in FY21 repaid this loan in full with no outstanding debt at the balance sheet date, primarily through strong working capital management and the recovery within its operations.

The Company has received a commitment of financial support from Starbucks Corporation for at least the next 12 months from the date of the signed accounts and, based on this and having made enquiries of the ultimate parent, 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.

### Business relationships

A memorable customer experience in store is core to the Company's mission. The Company's green apron partners in both the company operated and license stores are vital to delivering this customer experience and the company has therefore invested in advanced training methods to ensure a consistent experience for customers across the estate. The Company has also outsourced its customer care service to an industry leading expert to ensure a more accurate understanding of customer feedback.

## **Starbucks Coffee Company (UK) Limited**

### **Directors' Report (continued) For the period ended 3 October 2021**

Our licensing operations team continue to build strong trust based relationships with our licensees. Regular updates and strategic meetings are held which helps to keep the dialogue going, to build and nurture the Starbucks brand within the UK. The operations team was restructured during the year to focus on an account management approach with our licensees.

Our supply chain team engage closely with key suppliers, ensuring that suppliers meet the Company's compliance policy around ethical trading, health & safety, anti-bribery, law compliance and anti-slavery.

Relationships are also maintained with banks, government bodies and registered charities and professional service firms.

#### **Future developments**

The Company is cautious on the outlook going into 2022 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 and investment in technology to support growth enabling platforms during 2022 and 2023.

#### **Events since the Balance sheet date**

No events to report since the balance sheet date

#### **Disabled employees (partners)**

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

It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

#### **Employee (partner) involvement**

We believe that our partners are integral to the success of the business and we are committed to supporting them to have a meaningful career at Starbucks.

The Company is committed to supporting the UK skills agenda. We are pleased to be able to play our part in helping 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 to provide an alternative to the traditional educational routes.

Aside from our commitment to employing young people, 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.

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 over 80 apprenticeships, bringing the total to over 1,400 apprenticeships across different levels, since we launched the programme in April 2012.

We will continue to commit to apprenticeships in 2022 and aspire to offer a further 100 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 level, for our head office support centre and field based partners. In addition to this, we have extended our apprenticeship programmes to our licensed partners.

## Starbucks Coffee Company (UK) Limited

### Directors' Report (continued) For the period ended 3 October 2021

We are committed to maximising our apprenticeship levy and have continued to innovate and redesign our programmes to comply with apprenticeships standards.

We are committed to supporting our licensed business owners to provide great training, development and careers for partners as well as developing a strategic forum to collaborate on people challenges and unlock solutions together.

We have made good progress in providing ongoing support for our retail leadership teams, having focused on developing a people leader programme for store managers as well as key focus areas of wellbeing through a mental health allies programme. Our nominated Mental Health Allies receive training from our external partner, Mental Health at Work, to equip them to support all of our retail partners with any issues or challenges they may experience related to their mental wellbeing.

We will continue in FY22 to focus on enhancing partners' skills and confidence to lead their team — whether in retail or support centre roles. For our store partners, much of the training is now delivered through online training. We have invested in gamified learning using the Attensi App, and will continue to develop this offering to all of our partners in the year ahead.

Starbucks continues to engage with partners through round tables and partner forums and we have recently launched a Partner Experience Board —akin to an employee council, designed to improve the two way flow of information and address partner concerns in a more cohesive way.

We are also increasing our partner engagement with regards to activity related to inclusion and diversity. We have formed three partner networks: Women's Impact Network, Black Partner Network and Pride Network as engagement and education channels, with supporting events in dedicated heritage months. We have also provided race and anti-bias training to all of our partners and are sharing this with our licensed partners too.

Further information on how the Company and its employee involvement can be found within S.172 in the strategic report.

#### Auditor

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.

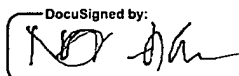
#### Information to auditor

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 unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be 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.

This report and financial statements were approved and authorised for issue by the Board of directors on 28 February 2022.

DocuSigned by:  
  
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**N Allen**  
Director

# **Starbucks Coffee Company (UK) Limited**

## **Directors' responsibilities statement For the period ended 3 October 2021**

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The directors are responsible for preparing the Strategic report, the Directors' report and Annual Report 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 judgements 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.

# Starbucks Coffee Company (UK) Limited

## Corporate governance statement For the period ended 3 October 2021

### Statement of Corporate Governance

The Board of Starbucks Coffee Company UK Limited (the "Company") recognises the importance of sound corporate governance and has decided to apply the Corporate Governance Code published by the Wates Corporate Governance Principles detailed out below. The Code was chosen as the most appropriate framework for the Company, having regard to its strategy as well as its size, nature and resources.

The sections below set out the ways in which the Company applies the six principles of the Code in support of the Company's medium to long-term success.

#### Principle 1: Purpose and Leadership

##### *Application (as set out by the Wates Principles)*

An effective board develops and promotes the purpose of a Company, and ensures that its values, strategy and culture align with that purpose.

##### *Starbucks Compliance*

The Company's strategy and business model are developed by the General Manager (GM) and her senior leadership team and approved by the Board. The senior leadership team, led by the GM, is responsible for implementing the strategy and managing the business at an operational level.

The strategy sets the overall priorities for the Company, which are subsequently implemented via functional business plans and, at an individual level, personal objectives.

#### Principle 2: Maintain the Board as a well-functioning, balanced team led by the chair

##### *Application (as set out by the Wates Principles)*

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

##### *Starbucks Compliance*

The Board comprises the Director/General Manager of Starbucks UK Limited and two directors from a fellow group company, Starbucks EMEA Limited.

In 2020, these were N Allen, Chief Financial Officer of Starbucks EMEA Limited and R Marshall, Vice President of technology, representing Starbucks EMEA Limited; and A Rayner representing Starbucks Coffee Company (UK) Limited.

The Company holds regular Board meetings and each director is asked to disclose any conflicts of interest in line with the Company's constitution.

#### Principle 3: Directors Responsibility

##### *Application (as set out by the Wates Principles)*

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge

##### *Starbucks Compliance*

An informal evaluation process for Board performance has been followed to date. The Company will in the near term seek to formalise the assessment of the Board. The Board continues to follow UK and

# Starbucks Coffee Company (UK) Limited

## Corporate governance statement For the period ended 3 October 2021

EMEA policies and procedures which promotes the long term sustainable growth of the business in the market.

### Principle 4: Opportunity and Risk

*Application (as set out by the Wates Principles)*

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

*Starbucks Compliance*

The Company acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk and to provide reasonable assurance with regard to the safeguarding of the Company's assets.

The Company has an approval system in place, with senior approval required for significant store investment, capital expenditure and other purchases. All contracts are reviewed by the legal team, with external support as required, and must be approved by the GM and Finance Director (FD).

The Company has set up a risk committee post the financial year end focused on the identification, evaluation and mitigation of risks.

### Principle 5: Remuneration

*Application (as set out by the Wates Principles)*

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

*Starbucks Compliance*

Two of the directors for the Company are non-executive directors who are not remunerated through the Company, one other Director for the Company has clear objectives and targets set based on the vision, performance and strategy of the business.

### Principle 6: Stakeholder Relationship and Management

*Application (as set out by the Wates Principles)*

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

*Starbucks Compliance*

The Board is regularly updated on wider stakeholder engagement and feedback in order to stay abreast of customers, suppliers and employees' (partner) insights into the issues that matter most to them and our business.

Our operation team build strong relationships with our licensees, which are underpinned by regular dialogue.

Our procurement team engage closely with key suppliers, with the aim of ensuring that suppliers meet the Company's compliance policies on ethical trading, health & safety, anti-bribery, competition law compliance and anti-slavery.

Our Pro team (HR) engage closely with partners on all levels, this occurs through regular meetings, regular one to ones, and half a year pulse surveys, in order for partners of all levels to feedback and have their views heard.

# Starbucks Coffee Company (UK) Limited

## Independent auditor's report to the members of Starbucks Coffee Company (UK) Ltd

### Report on the audit of the financial statements

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#### 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 the 3<sup>rd</sup> October 2021 and of its profit for the year 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; and
- the related notes 1 to 27.

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 (the '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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included an evaluation of management's assessment of the company's ability to continue as a going concern. We reviewed the entity's forecasts used in their assessment in light of recent results and we considered the willingness and ability of the parent company to provide support if required, including engaging the parent company auditor to confirm the results of their assessment of the parent group's ability to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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

# Starbucks Coffee Company (UK) Limited

## Independent auditor's report to the members of Starbucks Coffee Company (UK) Ltd (continued)

course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities. We also enquired of management and internal audit about their own identification and assessment of the risk of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Managements assumptions and judgements in connection with the potential impairment of assets in operated stores. Our audit procedures include making enquiries of management, testing the accuracy of the model used, reviewing and challenging key assumptions, verifying

# Starbucks Coffee Company (UK) Limited

## Independent auditor's report to the members of Starbucks Coffee Company (UK) Ltd (continued)

data used, evaluating supporting and contradictory evidence and performing sensitivity analyses.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax authorities.

### 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.

#### 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 ACA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
28 February 2022

## Starbucks Coffee Company (UK) Limited

### Profit and loss account For the period ended 3 October 2021

		3 October 2021 £000	27 September 2020 £000
	Note		
Turnover	4	328,014	243,339
Cost of sales		(232,905)	(210,991)
<b>Gross profit</b>		<b>95,109</b>	<b>32,348</b>
Administrative expenses		(78,625)	(69,730)
<b>Operating profit/(loss)</b>	5	<b>16,484</b>	<b>(37,382)</b>
Loss on disposal of tangible fixed assets		(1,466)	(1,991)
Interest receivable and similar income	9	119	270
Interest payable and similar charges	11	(1,789)	(1,789)
<b>Profit/(Loss) before taxation</b>		<b>13,348</b>	<b>(40,892)</b>
Taxation (charge)/credit on profit/(loss)	11	(5,418)	4,432
<b>Profit/(Loss) after taxation</b>		<b>7,930</b>	<b>(36,460)</b>

The Profit and loss account above, together with the related notes, relating to the period ended 3 October 2021 reflects the trading for a 53-week period from 28 September 2020. The comparative data is for the 52-week period ended on 27 September 2020.

There was no other comprehensive income for 2021 (2020:£Nil).

The notes on pages 22 to 43 form part of these financial statements. All above activities arise from continuing operations.

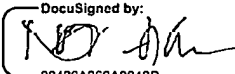
# Starbucks Coffee Company (UK) Limited

Registered number: 02959325

## Balance sheet As at 3 October 2021

		3 October 2021 £000	27 September 2020 £000
	Note		
<b>Fixed assets</b>			
Tangible assets	12	44,731	42,207
Right-of-use assets	14	118,239	116,020
Investment in sublease	18	8,296	10,596
		<u>171,266</u>	<u>168,823</u>
<b>Current assets</b>			
Stocks	14	1,099	885
Debtors:			
- Amounts falling due within one year	15	34,039	44,651
- Amounts falling due after more than one year	15	3,357	5,927
Cash at bank and in hand		12,526	20,570
		<u>51,021</u>	<u>72,033</u>
Creditors - Amounts falling due within one year	16	<u>(93,503)</u>	<u>(119,070)</u>
<b>Net current liabilities</b>		<u>(42,482)</u>	<u>(47,037)</u>
<b>Total assets less current liabilities</b>		<u>128,784</u>	<u>121,786</u>
<b>Creditors - Amounts falling due after more than one year</b>	17	(110,857)	(116,467)
<b>Provisions</b>	19	<u>(349)</u>	<u>(627)</u>
<b>Net assets</b>		<u>17,578</u>	<u>4,692</u>
<b>Capital and reserves</b>			
Called up share capital	21	317	317
Share premium account	23	42,910	40,000
Profit and loss account	23	(25,649)	(35,625)
<b>Shareholder's funds</b>		<u>17,578</u>	<u>4,692</u>

The financial statements for Starbucks Coffee Company (UK) Ltd (registration number 02959325) were approved by the Board of directors on 28 February 2022 and were signed on its behalf by:

DocuSigned by:  
  
 82426A269A0848D...  
**N Allen**  
 Director

The notes on pages 22 to 45 form part of these financial statements.

## Starbucks Coffee Company (UK) Limited

### Statement of changes in equity For the period ended 3 October 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Shareholder's funds £000
<b>At 29 September 2019</b>	<b>317</b>	<b>40,000</b>	<b>(1,106)</b>	<b>39,211</b>
<b>Comprehensive expense for the period</b>				
Loss for the period	—	—	(36,460)	(36,460)
<b>Total comprehensive expense for the period</b>	<b>—</b>	<b>—</b>	<b>(36,460)</b>	<b>(36,460)</b>
Capital contribution for equity settled share based payments	—	—	1,941	1,941
<b>At 27 September 2020</b>	<b>317</b>	<b>40,000</b>	<b>(35,625)</b>	<b>4,692</b>
<b>Comprehensive income for the period</b>				
Profit for the period	—	—	7,930	7,930
<b>Total comprehensive income for the period</b>	<b>—</b>	<b>—</b>	<b>7,930</b>	<b>7,930</b>
Capital contribution for equity-settled share-based payments	—	—	2,046	2,046
Shares issued during the period	—	2,910	—	2,910
<b>At 3 October 2021</b>	<b>317</b>	<b>42,910</b>	<b>(25,649)</b>	<b>17,578</b>

The notes on pages 22 to 45 form part of these financial statements.

# Starbucks Coffee Company (UK) Limited

## Notes to the financial statements For the period ended 3 October 2021

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### 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 3 October 2021 were authorised for issue by the Board of directors on 28 February 2022 and the Balance sheet was signed on the Board's behalf by N Allen.

The company is a private company, limited by shares, incorporated in the United Kingdom under Companies Act 2006 and registered in England and Wales. Details of registered address can be found on the contents page, further details around principal activities can be found within the strategic report.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Any amendments to FRS 101, effective immediately, have been applied

The Company's financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pound (£) except when otherwise indicated.

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](https://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 whilst also applying IFRS 16 with an adoption date from the start of the financial year 2020. The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 3 October 2021.

As a qualifying entity the Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, relating to standards that are new and not yet effective;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- 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; and
- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.

Where relevant, equivalent disclosures have been given in the group consolidated accounts of Starbucks Corporation.

### **2.2 Going concern**

The Company relies on the support of its ultimate parent company, Starbucks Corporation, which provided a credit facility of £25m to the Company in May 2020 to provide liquidity as a result of the impact of COVID-19. The Company in FY21 repaid this loan in full with no outstanding debt at the balance sheet date, primarily through strong working capital management and the recovery within its operations.

The Company has received a commitment of financial support from Starbucks Corporation for at least the next 12 months from the date of the signed accounts and, based on this and having made enquiries of the ultimate parent, 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 Critical accounting judgements and key areas of estimation uncertainty**

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's directors to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

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### 2.4 New standards, amendments and IFRIC interpretations

#### **Impact of the initial application of *COVID-19-Related Rent Concessions* Amendment to IFRS 16**

In May 2020, the IASB issued *Covid-19-Related Rent Concessions (Amendment to IFRS 16)* that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met.

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

*Impact on accounting for changes in lease payments applying the exemption.*

The Company has applied the practical expedient to all rent concessions that meet the conditions required under IFRS 16

The Company has benefited from various months where lease payments have been waived on company owned stores. The waiver of lease payments of £1.8m has been accounted for as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payment

### 2.5 Significant accounting policies

#### **a) Foreign currency translation**

The Company's financial statements are presented in Pound 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 profit or loss. 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) 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

# Starbucks Coffee Company (UK) Limited

## Notes to the financial statements For the period ended 3 October 2021

sales taxes. For Starbucks UK this is predominantly at the point of sale of coffee or other food items to the customer for the consideration received.

### ***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.

### ***Dividend income***

Dividend income is recognised when the Company's right to receive payment is established.

### ***Stored value cards***

For stored value cards activated or reloaded or when gift certificates are purchased at point-of-sale, an entry for deferred revenue (liability) is recorded. Revenue recognition occurs when Starbucks Cards or gift certificates are presented for redemption (as payment tender for product purchases). Estimated breakage is recognised proportionately in revenue as redemptions occur. The estimated breakage rates and redemption patterns are updated at least annually based on actual results.

### ***c) 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.

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 enforceable 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 profit or loss.

### ***d) IFRS 16***

## Starbucks Coffee Company (UK) Limited

### Notes to the financial statements For the period ended 3 October 2021

A lease exists if the Company is entitled to use, for a certain periods of time, an identifiable asset over which the Company has gained control, against payment. Leases mainly relate to retail and office space.

At the beginning of the lease term ("provision date"), lease right-of-use assets are valued at acquisition costs, which in particular arise from the corresponding lease liabilities and lease prepayments, taking into account leasing incentives received. Depreciation is calculated on a straight-line basis.

Lease liabilities are recognized at the present value of the lease payment that have not yet been made and reported under financial liabilities. Discounting is always calculated using term-specific incremental borrowing rates, as the Company is unable to determine the interest rates underlying the leases on a regular basis. The lease liabilities are updated in accordance with the effective interest method. The Company reports the corresponding interest expenses in the financial result.

#### *Onerous leases*

The Company operates numerous leases, predominately property leases.

As part of the IFRS 16 transition, the Company elected to apply the practical expedient to take all onerous lease provisions against the new Right of use asset, to show the carrying amount of the right of use asset as if an impairment test had been conducted at the date of transition.

#### **e) 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 profit or loss net of any reimbursement.

#### **f) 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 24.

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

#### **g) Financial assets**

##### ***Initial recognition and measurement***

The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset. Debt financial instruments are subsequently measured at amortised cost or fair value through profit or loss. The classification is based on two criteria: the objective of the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification and measurement of the Company's financial assets is as follows:

##### **Debt instruments at amortised cost**

# Starbucks Coffee Company (UK) Limited

## Notes to the financial statements For the period ended 3 October 2021

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

### ***h) Financial liabilities***

Financial liabilities 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.

### ***i) 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.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

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### **j) 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:

Short leasehold property	- Length of the lease
Plant and machinery	- 3-5 years
Fixtures and fittings	- 4-7 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.

### **Impairment of tangible fixed assets and right of use assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and right of use 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.

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 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.

### **k) Stocks**

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

### **l) Cash**

Cash and short-term deposits in the Balance sheet comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

### **m) Operating profit**

Operating profit is stated before investment income and finance costs.

### **n) Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit scheme.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

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### 3. Critical accounting judgements and key sources of estimation uncertainty

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.

No critical accounting judgements

The following are the key areas of estimation uncertainty:

#### ***Impairment of tangible fixed assets and right of use assets***

Management note that the calculations required to determine the value in use of company owned stores, require estimations around key long term assumptions, including long term growth rates and the impact of inflation, these are key estimates which create uncertainty given the long term forecast calculations required.

During the current period, the Company assessed the assets using a pre tax discount rate of 8.16%, a range of short term growth rates appropriate to the strategy for each asset and a 4.0% long term growth rate, the most significant uncertainty relates to the long term growth rate and the sensitivity to changes in this assumption are disclosed in note 13.

#### ***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 12.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

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### 4.. Turnover

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
Company owned stores	205,132	162,055
Licensing & Franchising	122,369	80,764
Store value card breakage	513	520
Total Revenue	<u>328,014</u>	<u>243,339</u>

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. Licensing and franchising revenue consists primarily of royalties and product sales to the licensing and franchising operations and other fees earned. Other revenue consists primarily of product sales to customers other than through company operated retail stores. 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.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

### 5. Operating (loss)/profit

The (loss)/profit for the period has been arrived at after charging/(crediting):

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
Fees payable to the Company's auditor (see note 7)	153	155
Variable leases land and buildings rent	2,249	5,543
Royalties and license fees	26,504	17,343
Inventories	121,376	91,443
Interco transfer pricing income	—	(16,000)
(Provision reversal)/expense	(95)	2,856
Foreign exchange (gain)	(292)	(20)
Share based payments (see note 24)	2,046	1,941
Depreciation of tangible fixed assets	9,179	10,102
Depreciation of right of use asset	22,348	22,722
(Reversal)/impairment of tangible fixed assets and right-of-use	(2,381)	10,354
Staff costs (see note 8)	73,427	77,897

The net impairment credit of £2.4m (2020: impairment loss of £(10.4m)) was measured by reference to the value in use of the assets over their useful life (refer to note 13 and 14)

During the prior period, the Company received a service fee equal to £16.0m from Starbucks EMEA Limited, a related party responsible for the management and licensing of certain intangible properties in the EMEA region and licensor to the Company. The service fee represents consideration for the Company's execution in the UK of the EMEA market realignment strategy, including the closure of a number of low performing company operated stores over the previous financial years.

### 6. Auditor remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £153,400 (2020: £155,000). There were no non-audit services.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

### 7. Staff costs

Staff costs were as follows:

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
<b>Staff costs, including directors</b>		
Wages and salaries	67,430	72,023
Social security costs	4,984	4,869
Cost of defined contribution scheme	1,013	1,005
	<u>73,427</u>	<u>77,897</u>

The average monthly number of employees, including the directors, during the period were as follows:

	Period ended 3 October 2021 No.	Period ended 27 September 2020 No.
Store partners	3,905	4,184
Administration	105	113
	<u>4,010</u>	<u>4,297</u>

### 8. Directors' remuneration

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
Directors' emoluments	555	404
Company contributions to defined contribution pension schemes	1	8
	<u>556</u>	<u>412</u>

During the period retirement benefits were accruing to one director (2020: one) in respect of defined contribution pension schemes.

The highest paid director received emoluments of £554,876 (2020: £404,048). Two of the directors were remunerated through an alternative Group company and do not receive any remuneration for services as Directors of the Company.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £645 (2020: £8,351).

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
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### 9. Interest receivable and similar income

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
<b>Interest receivable:</b>		
Bank deposits	—	—
IFRS16 interest income	119	270
<b>Total interest receivable and similar income</b>	<b>119</b>	<b>270</b>

### 10. Interest payable and similar charges

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
<b>Interest payable:</b>		
Interest payable to related parties	321	172
IFRS16 Interest	1,414	1,469
Interest payable to third parties	54	(1,321)
<b>Total interest payable and similar charges</b>	<b>1,789</b>	<b>320</b>

# Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

## 11. Taxation charge on profit/(loss)

	Period ended 3 October 2021 £000	Period ended 27 September 2020 £000
<b>Corporation tax</b>		
UK corporation tax	2,032	—
Adjustment in respect of prior years		
- UK corporation tax	942	941
	<u>2,974</u>	<u>941</u>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	2,825	(5,373)
Effect of tax rate change on opening balance from 19% to 25%	(381)	
<b>Tax charge/(credit) for the period</b>	<u>5,418</u>	<u>(4,432)</u>

Corporation tax is calculated at 19.0% of the estimated taxable profit for the year (2020: 19.0%).

The Finance Act 2021, which provides for an increase in the main rate of UK corporation tax from 19% to 25% effective from 1 April 2023, was enacted in June 2021.

Deferred taxes at the reporting date have been measured and reflected in these financial statements using the enacted tax rate at the year end of 25%.

The charge for the period can be reconciled to the profit in the Profit and loss account as follows:

	Period Ended 3 October 2021 £000	Period Ended 27 September 2020 £000
Profit/(Loss) before tax on continuing operations	<u>13,348</u>	<u>(40,892)</u>
Tax at the UK Corporation tax rate of 19.0% (2020: 19.0%)	2,536	(7,769)
<b>Tax effects of:</b>		
Tax effect of expenses not deductible for tax purposes	95	471
Income not taxable for tax purposes	—	—
Fixed asset differences not recognised	288	6,203
Share based payments	(231)	96
Remeasurement of deferred tax for changes in tax rate	2,025	(4,284)
Adjustments in respect of prior years	942	941
Other permanent differences	(237)	(90)
<b>Tax charge/(credit) for the period</b>	<u>5,418</u>	<u>(4,432)</u>

## Starbucks Coffee Company (UK) Limited

### Notes to the financial statements For the period ended 3 October 2021

#### 12. Tangible fixed assets

	Short leasehold property £000	Fixtures and fittings £000	Plant and equipment £000	Asset retirement obligation £000	Assets in course of construction £000	Total £000
<b>Cost</b>						
At 28 September 2020	71,029	51,287	34,719	2,916	2,281	162,232
Additions	8,912	—	4,315	41	—	13,268
Disposals	(3,933)	(46)	(4,588)	(21)	(324)	(8,912)
At 3 October 2021	76,008	51,241	34,446	2,936	1,957	166,588
<b>Depreciation</b>						
At 28 September 2020	53,701	33,443	30,037	2,844	—	120,025
Charge for the period	4,905	366	3,908	—	—	9,179
Disposals	(2,338)	(33)	(4,043)	(75)	—	(6,489)
Impairment reversal	(386)	(386)	(86)	—	—	(858)
At 3 October 2021	55,882	33,390	29,816	2,769	—	121,857
<b>Net book value</b>						
At 3 October 2021	20,126	17,851	4,630	167	1,957	44,731
At 27 September 2020	17,328	17,844	4,682	72	2,281	42,207

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 current period, the Company assessed the recoverable amount of tangible fixed and right of use assets, based on the present value of estimate cash flows on a store by store basis, using a discount rate of 9.0% (2020: 8.16%), a range of short term growth rates appropriate to the strategy for each asset and a 4.0% (2020: 4.0%) long term growth rate.

The Company assessed the sensitivity of the above growth rates, adjusting these variables, along with the discount rate to assess the impairment sensitivity through the value in use models.

At the end of the financial year there was a net impairment reversal of £2.4m for tangible fixed assets and right of use assets in aggregate, this included £3.0m impairment reversals on 16 stores and an impairment charge of £(0.6)m on 7 stores.

A 3% long term growth rate being used would lead to a net impairment reversal of £1.1m, this would include £2.4m impairment reversals on 14 stores and an impairment charge of £(1.2)m on 13 stores.

A 2% long term growth rate being used would lead to a net impairment charge of £(0.1)m, this would include £2.0m impairment reversals on 13 stores and an impairment charge of £(2.1)m on 18 stores.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
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### 13. Right Of Use Asset

	Right-of-use asset	Total
	£000	£000
<b>Cost</b>		
At 30 September 2020	143,035	143,035
Additions	23,044	23,044
At 3 October 2021	<u>166,079</u>	<u>166,079</u>
<b>Accumulated depreciation</b>		
At 30 September 2020	27,015	27,015
Charge for the period	22,348	22,348
Impairment reversal	(1,523)	(1,523)
At 3 October 2021	<u>47,840</u>	<u>47,840</u>
<b>Net book value</b>		
At 3 October 2021	<u>118,239</u>	<u>118,239</u>
At 27 September 2020	<u>116,020</u>	<u>116,020</u>

The recoverability of the right of use asset was tested, as part of the annual impairment review by the Company, for impairments. The impairment review of the Right of use asset in the above table, were tested along with the carrying values of the Tangible fixed assets within Note 13.

The total cash outflow for leases amount to £27,278,959 (FY20 : £21,965,000)

### 14. Stocks

	3 October 2021	27 September 2020
	£000	£000
Goods for resale	1,099	885
	<u>1,099</u>	<u>885</u>

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

# Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

## 15. Debtors

	3 October 2021 £000	27 September 2020 £000
<b>Amounts falling due after more than one year:</b>		
Prepayments	180	306
Deferred tax asset	3,177	5,621
	<u>3,357</u>	<u>5,927</u>
	3 October 2021 £000	27 September 2020 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	18,749	17,058
Expected credit loss provision	(311)	(1,319)
Accrued Income and other debtors	5,462	3,436
Amounts due from other group undertakings	492	20,229
Investment in sublease (note 20)	2,408	2,280
Prepayments	7,239	2,967
	<u>34,039</u>	<u>44,651</u>

The terms of group intercompany invoices are settled on 35 day terms. No interest is charged on this balance.

## 16. Creditors - amounts falling due within one year

	3 October 2021 £000	27 September 2020 £000
Trade creditors	16,315	16,870
Amounts owed to group undertakings	19,235	44,955
Other taxation and social security	2,503	8,084
Current lease liability	27,823	25,611
Other creditors	3,007	2,539
Accruals and deferred income	24,620	21,012
	<u>93,503</u>	<u>119,070</u>

Amounts owed to other group undertakings relates predominantly to the purchase of coffee from Starbucks for resale within the UK market. The terms of group intercompany invoices are settled on 35 day terms. No interest is charged on this balance.

Within the amounts owed to other group undertakings in the prior year is a £25m loan from Starbucks Corporation taken in FY20. This is an interest bearing unsecured loan which accrues interest at 1%. The loan was fully repaid at the year end date.

## Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
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### 17. Creditors - Amounts falling due after more than one year

	3 October 2021 £000	27 September 2020 £000
Non current lease liability	110,822	116,437
Accruals and deferred income	36	30
	<u>110,858</u>	<u>116,467</u>

Accrued and deferred income amounts due after more than one year consist of deferred revenue relating to stored value cards.

### 18. Lease Liability

	3 October 2021 £000	27 September 2020 £000
<b>Maturity</b>		
Year 1	26,280	20,049
Year 2	22,971	24,753
Year 3	19,688	20,652
Year 4	16,612	17,161
Year 5	14,493	14,198
Onwards	<u>44,262</u>	<u>50,856</u>
	144,306	147,669
Less unearned interest	<u>(5,661)</u>	<u>(5,621)</u>
	138,645	142,048
<b>Analysed</b>		
Non Current	110,822	116,437
Current	27,823	25,611

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's accounting and property functions.

As discussed in note 2, the Company has derecognised £1.8m of the lease liability that has been extinguished by the forgiveness of lease payments on Company owned stores

## Starbucks Coffee Company (UK) Limited

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Below is a maturity analysis of the investment in the sublease

	3 October 2021 £000	27 September 2020 £000
<b>Maturity</b>		
Year 1	2,058	2,290
Year 2	1,761	2,058
Year 3	1,590	1,761
Year 4	1,311	1,590
Year 5	969	1,311
Onwards	<u>3,653</u>	<u>4,622</u>
	11,342	13,632
 Less unearned interest		
	<u>(638)</u>	<u>(756)</u>
	10,704	12,876
 <b>Analysed</b>		
Non Current	8,296	10,596
Current	2,408	2,280

### 19. Provisions

	Other provisions	Total
	£000	£000
At 28 September 2020	627	627
Utilisation	<u>(278)</u>	<u>(278)</u>
<b>At 3 October 2021</b>	<u>349</u>	<u>349</u>

Other provisions relate to a provision for guarantees, provided to suppliers on behalf of licensees, and provisions for Store closures at the balance sheet date.

## Starbucks Coffee Company (UK) Limited

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### 20. Deferred tax

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

	Share Based Payments £000	Lease Premium Adjustments £000	Provisions £000	Losses £000	Total £000
At 28 September 2020	196	(55)	360	5,119	5,620
Charge to profit or loss	366	2	(73)	(2,738)	(2,443)
<b>At 3 October 2021</b>	<b>562</b>	<b>(53)</b>	<b>287</b>	<b>2,381</b>	<b>3,177</b>

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:

	3 October 2021 £000	27 September 2020 £000
Deferred tax assets	3,177	5,620
	<b>3,177</b>	<b>5,620</b>

At the Balance sheet date, the deferred tax asset not recognised in the financial statements, principally in relation to capital allowances, which the directors do not intend to claim, amounts to £57,698,367 (2020: £41,915,846).

# Starbucks Coffee Company (UK) Limited

Notes to the financial statements  
For the period ended 3 October 2021

## 21. Share capital

	3 October 2021 £000	27 September 2020 £000
<b>Authorised, allotted, called up and fully paid</b>		
3,170,856 (2020: 3,170,854) ordinary shares of £0.10 each	317	317

Please refer to note 22 for details around the two shares issued in the financial year.

## 22. Reserves

The Company's reserves are made up as follows:

### Called up share capital

Called up share capital represents the nominal value of shares that have been issued.

### Share premium account

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

On 12 November 2020, Starbucks Coffee Company (UK) Limited entered into agreements to issue promissory notes to Torz & Macatonia Limited to securitize a debt owed of £224,638 and Starbucks Coffee Holdings (UK) Limited to securitize a debt owed of £2,685,028.

On 13 November 2020, the board of directors of Torz & Macatonia Limited approved the payment of an interim dividend to its parent, Starbucks Coffee Holdings (UK) Limited. To pay the dividend, Torz & Macatonia Limited entered into an agreement to assign the benefits and rights of the note – issued by Starbucks Coffee Company (UK) Limited – to its parent, Starbucks Coffee Holdings (UK) Limited.

On 13 November 2020, Starbucks Coffee Holdings (UK) Limited entered into an agreement to discharge Starbucks Coffee Company (UK) Limited from its obligation to repay the outstanding balance of both promissory notes in the amount of £2,909,666. In exchange for the discharge of debt, Starbucks Coffee Company (UK) Limited issued two new ordinary shares of £0.10 each to Starbucks Coffee Holdings (UK) Limited.

The overall balance sheet impact to Starbucks Coffee Company (UK) Limited due to the discharge of debt, resulted in a £2,909,666 decrease in Current liabilities and an increase of £0.20 in Called up share capital and £2,909,666 to Share premium.

### Profit and loss account

The Profit and loss account represents cumulative profits, losses and total other recognised gains or losses made by the Company, including distributions to, and contributions from, the parent company.

## 23. Other Commitments

At 03 October 2021, the Company had entered into commitments for capital expenditure of £812,033 (2020: £812,836).

## Starbucks Coffee Company (UK) Limited

### Notes to the financial statements For the period ended 3 October 2021

At the Balance sheet date, due to the IFRS 16 implementation, the Company now accounts for future minimum lease payments under non-cancellable leases on the balance sheet as a lease liability.

#### 24. 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.

No new options were granted in fiscal 2021 or 2020

#### 25. 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 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. The registered office address is 2401 Utah Avenue South, Seattle, Washington, USA.

Copies of the consolidated financial statements of Starbucks Corporation can be obtained from the Investor Relations section of the Starbucks website at [investor.starbucks.com](http://investor.starbucks.com).

#### 26. 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 1,012,289 (2020: £1,005,444) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 3 October 2021, contributions of £117,023 (2020: £97,582) due in respect of the current reporting period had not been paid over to the schemes.

## **Starbucks Coffee Company (UK) Limited**

Notes to the financial statements  
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### **27. Post balance sheet event**

No post balance sheet events at the date of signing