



STARBUCKS COFFEE COMPANY (UK) LIMITED

Registered Number 2959325

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

2 October 2011

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STARBUCKS COFFEE COMPANY (UK) LIMITED

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STARBUCKS COFFEE COMPANY (UK) LIMITED

**DIRECTORS AND OTHER INFORMATION
FOR THE PERIOD ENDED 2 OCTOBER 2011**

DIRECTORS

P Engskov
N Williams
D Calcutt

SECRETARY

A Thurston

REGISTERED OFFICE

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W4 5YE
United Kingdom

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditors
2 New Street Square
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EC4A 3BZ

BANKERS

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Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS
United Kingdom

STARBUCKS COFFEE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 2 OCTOBER 2011

The directors present their report and the audited financial statements of the company for the 52 week period ended 2 October 2011

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

BUSINESS REVIEW AND FUTURE DEVELOPMENT

The full results for the period are shown on page 11. The loss after tax for the period amounted to £32,853,958 (2010 £34,236,334). This is after royalties and license fees of £25,774,242 (2010 £25,259,040). The directors do not recommend payment of a dividend (2010 £nil).

These accounts reflect a period in which comparable (like for like) store sales continued to grow across the year as customers responded to a number of innovations, new products and continuing investment in store refurbishments across the estate. Innovations included the re-launch of our popular Frappuccino drinks in stores and supermarkets and the introduction of new breakfast and lunch ranges.

The number of licensed stores grew again with 26 additional licensed stores. The number of drive-through stores also increased to eight and the success of this new format has encouraged further growth in this area. A number of these new stores came through expansion led by our licensed partner, Euro Garages.

The total number of company owned stores remained broadly similar, but at the same time a number of company owned stores were closed and others opened as part of the continuing rebalancing of the store portfolio towards more profitable locations. These closures added costs to the business but were necessary for its long term health.

Starbucks also continued to honour its commitment to doing business in a responsible way with the launch of Starbucks Youth Action – a programme to support young people's community projects in ten cities in the UK and Ireland.

Key Performance Indicators

Despite the challenging economic environment, sales in total increased by 0.4% against the preceding accounting period. Cost saving initiatives resulted in the gross margin increasing from 19.4% to 19.7%. The operating margin worsened from (6.5)% to (7.2)%.

As at 2 October 2011, 607 Starbucks stores in the UK were company operated, a net increase of 6 since the start of the period. At the period end, 128 licensed stores were in operation, an increase of 26 since the start of the period.

Risks and Uncertainties

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

STARBUCKS COFFEE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 2 OCTOBER 2011

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

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

The company has established a risk management process to ensure that proper procedures are in place and that they are operating effectively in order to deal with strategic and operational issues

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

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

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

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

Financial risk management The financial risk management objectives and policies of the company 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 risk 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

STARBUCKS COFFEE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 2 OCTOBER 2011

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. If the business did consider this risk to be a significant risk it would hedge using forward currency contracts.

DIRECTORS

The directors of the company who served throughout the period, except as noted, are

P Engskov (appointed 16 September 2011)
D Willson-Rymer (resigned 16 September 2011)
D Calcutt (appointed 16 September 2011)
S King (appointed 20 December 2010, resigned 19 January 2011)
N Williams

EMPLOYEES (PARTNERS)

During times of economic instability and challenge, it has been important to ensure that the decisions the company has taken have ensured the sustained success of the business as well as the continued care and protection for its partners.

The company has invested resources in both developing internal talent and looking externally as part of its continued focus on young people. The company has launched a programme supporting the UK skills agenda by investing in the youth of today, to provide them with accredited vocational qualifications within the workplace to enable them to have transferable skills for the future. The company is partnering with City & Guilds to deliver a trial level 3 qualification in Team Leadership for its shift supervisor population as part of its Starbucks University. It is the company's intention to extend its educational framework to include apprenticeships at all levels which will provide transparent vocational career paths for young people interested in pursuing a career in retail management. Additionally, the company offers a comprehensive programme that develops its high potential partners while adding significant value to the business through extended contribution. This has led to a number of promotions to more senior positions, both within the UK and internationally. To continuously improve on its organisational capability and talent of our partners, the company re-engineered its performance management processes to enable the business to have more rigour, focus and consistency.

As part of its continued focus on improving its candidate attraction and recruitment capabilities, the company has rolled out and embedded a programme that has trained all its store management teams in interview techniques, focussing on strengths based assessment. This has ensured that the company matches its workplace opportunities with the right people, thereby ensuring sustainable employment and career progression. The company was able to engage with all its partners through the roll out of the Partner Experience Survey which allowed the company to listen to comprehensive feedback on a variety of business processes and key performance indicators.

STARBUCKS COFFEE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 2 OCTOBER 2011

As a business, the company celebrated the achievements of positive movement of scores through internal communications, and the company action planned with various focus groups, made up of its partners, to address the opportunities highlighted to us as a business

Throughout challenging economic times, the company has strived to meet the needs of both business performance and individual reward. The company launched 'Partner Fund' whereby partners could apply for funding to enhance their life skills or to support them in an experience helping with a local or international community project. This programme has a direct link to the mission statement of the company and strengthened the work and relationships it has with its communities and partners, such as the Princes Trust.

Disabled Employees

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

Employee Consultation

The company is proud of the relationship that it has with its group of elected partners (called Partner Blend). Elections are held every two years and at the last election three times as many nominations of partners who wanted to be involved than was required were received. The feedback from the group is that they see this as a key opportunity for them to become more involved in shaping the business and a great part of their ongoing personal development. The quarterly meetings between Partner Blend and the management team create a format to discuss the performance of the business but also to debate and develop ideas from the group that will further improve the customer and partner experience. These meetings supplement the routine of frequent partner forums held in the regions, which also enable all partners the opportunity to meet and speak with the leadership team on issues and ideas that are on their mind.

STARBUCKS COFFEE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 2 OCTOBER 2011

GOING CONCERN

As discussed in the Business Review, the company is funded by, and meets its day to day working capital requirements through a loan from the ultimate parent company, Starbucks Corporation. The directors have received a written commitment of continuing financial support from the ultimate parent company to provide sufficient funding to enable the company to meet its liabilities as they fall due for at least the next twelve months. The annual financial statements, quarterly SEC filings, and other financial information relating to Starbucks Corporation are available through the Starbucks.com website.

Having taken account of the written commitment and the company's forecasts and projections, notwithstanding the current uncertain economic conditions, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

AUDITOR

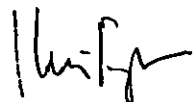
Each of the persons who is a director at the date of approval of this report confirms that

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

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

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

By Order of the Board on 9 May 2012



P Engskov
Director



N Williams
Director

STARBUCKS COFFEE COMPANY (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE PERIOD ENDED 2 OCTOBER 2011

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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.

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

We have audited the financial statements of Starbucks Coffee Company (UK) Limited for the 52 week period ended 2 October 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 2 October 2011 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



Sukhbinder Kooner
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 May 2012

STARBUCKS COFFEE COMPANY (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 2 OCTOBER 2011**

		Period ended 2 October 2011 £	Period ended 3 October 2010 £
	Note		
TURNOVER	2	397,716,437	396,288,137
Cost of sales		<u>(319,275,744)</u>	<u>(319,529,635)</u>
Gross profit		78,440,693	76,758,502
Administrative expenses		<u>(107,233,203)</u>	<u>(102,495,588)</u>
OPERATING LOSS	3	(28,792,510)	(25,737,086)
Loss on disposal of fixed assets		(1,358,260)	(3,870,988)
Interest receivable and similar income	6	50,163	33,593
Interest payable and similar charges	6	<u>(2,753,352)</u>	<u>(4,661,853)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(32,853,958)	(34,236,334)
Tax credit/(charge) on loss on ordinary activities	7	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	17	<u><u>(32,853,958)</u></u>	<u><u>(34,236,334)</u></u>

The profit and loss account above (together with the related notes) relating to the period ended 2 October 2011 reflect the trading for a 52 week period from 4 October 2010. The comparative data is for the 53 week period ended on 3 October 2010.

All results arise from continuing operations. The company has no recognised gains or losses other than the loss for the current period and the loss for the prior period, and accordingly a statement of total recognised gains and losses has not been presented.

STARBUCKS COFFEE COMPANY (UK) LIMITED

BALANCE SHEET AS AT 2 OCTOBER 2011

		Period ended 2 October 2011 £	Period ended 3 October 2010 £
	Note		
FIXED ASSETS			
Tangible fixed assets	9	<u>66,297,159</u>	<u>77,887,451</u>
CURRENT ASSETS			
Stocks	10	2,559,319	2,046,876
Debtors			
- due within one year	11	25,445,379	30,827,593
- due after one year	12	2,309,642	2,489,903
Cash at bank and in hand		<u>17,507,230</u>	<u>25,281,432</u>
		47,821,570	60,645,804
CREDITORS - amounts falling due within one year	13	<u>(112,246,016)</u>	<u>(110,120,743)</u>
NET CURRENT LIABILITIES		<u>(64,424,446)</u>	<u>(49,474,939)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,872,713	28,412,512
CREDITORS - amounts falling due after more than one year	14	(3,153,089)	(4,216,240)
NET (LIABILITIES)/ASSETS		<u>(1,280,376)</u>	<u>24,196,272</u>
CAPITAL AND RESERVES			
Called up share capital	15	307,685	307,235
Share premium account	16	237,798,324	233,298,774
Profit and loss account	17	<u>(239,386,385)</u>	<u>(209,409,737)</u>
SHAREHOLDER'S (DEFICIT)/FUNDS	18	<u>(1,280,376)</u>	<u>24,196,272</u>

Approved by the Board on 9 May 2012



P Engskov
Director



N Williams
Director

Company registration number 2959325

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding periods.

a) Basis of accounting

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

Under the provisions of Financial Reporting Standard 1 (revised) – “Cash Flow Statements”, the Company has not presented a cash flow statement because its ultimate parent company, Starbucks Corporation, which is incorporated in Washington, USA, has prepared consolidated financial statements and these accounts are publicly available.

As described in the directors' report on page 8 the accounts have been prepared on a going concern basis.

b) 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	Shorter of 10 years or the length of lease
Fixtures and fittings	4-7 years
Plant and equipment	3-5 years

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

c) Impairment

Fixed assets are tested for impairment on an annual basis. If the carrying amount of goodwill exceeds the implied estimated fair value, an impairment charge is recorded. The impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate the fair value of our reporting units, including estimating future cash flows, and if necessary, the fair value of a reporting unit's assets and liabilities. Further, the ability to realise the future cash flows used in the fair value calculations is affected by factors such as changes in economic conditions, changes in the company's operating performance, and changes in the company's business strategies.

When the performance of a previously impaired store improves significantly, it is permissible under certain circumstances to reverse the historic impairment, resulting in a credit in the relevant period.

d) Stocks

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

e) Leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if payments are not made on this basis. Premiums paid to

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

former tenants to acquire operating leases are classified as prepayments and amortised over the lease term

f) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Full provision is made for deferred tax on all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or the right to pay less, tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis

g) Pensions

Employees are offered a benefits package, as part of their remuneration package, which they may choose to invest in a number of benefits, including a defined contribution personal pension plan. The company does not contribute to personal pension plans over and above the benefits package offered. The charge to the profit and loss account is in respect of amounts payable in the period

h) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate at the forward contract rate

i) Share based payments

Share option plans give rise to recognition of an expense based on the expected benefit granted to beneficiaries calculated using the Black Scholes Merton model. This expense is apportioned over the option vesting period with the corresponding adjustment increasing the capital contribution reserve. For further details see Note 5

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

2. TURNOVER

Turnover represents the invoiced amount of goods and services supplied in the period net of VAT and discounts. All turnover derives from the company's principal activities in the UK.

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

3. OPERATING LOSS

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Operating loss is stated after charging:		
Auditor's remuneration - audit fees	87,500	83,750
Auditor's remuneration - non-audit fees	53,550	50,200
Operating leases - land and buildings	59,397,678	69,032,107
Royalties and license fees	25,774,242	25,259,040
Share based payments	2,877,310	2,558,990
Impairment - owned assets	6,610,589	8,018,322
Depreciation of tangible assets	14,934,431	19,089,859

The impairment loss of £6,610,589 (2010: £8,018,322) was measured by reference to the value in use of the assets using a discount rate of 3% (2010: 3%) which reflects the risks inherent in the forecast cashflows.

STARBUCKS COFFEE COMPANY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)**

4. DIRECTORS AND EMPLOYEES

	Period ended 2 October 2011	Period ended 3 October 2010
	£	£
Staff costs, including directors		
Wages and salaries	112,839,345	111,161,873
Social security costs	9,863,927	8,695,454
Other pension costs	1,127,067	1,188,117
	<u>123,830,339</u>	<u>121,045,444</u>
 Average number employed	 No.	 No.
Store partners	8,435	8,324
Administration	328	323
	<u>8,763</u>	<u>8,647</u>
 Directors' remuneration	 £	 £
Emoluments	565,478	432,342
Pension scheme contributions	24,841	26,999
Benefits in kind	-	560
	<u>590,319</u>	<u>459,901</u>
 Highest paid director	 £	 £
Emoluments	355,973	294,493
Pension scheme contributions	16,467	17,208
Benefits in kind	-	347
	<u>372,440</u>	<u>312,049</u>
	No.	No.
The number of directors who were members of pension schemes was as follows	<u>3</u>	<u>3</u>

5. SHARE BASED PAYMENTS

Share based payments are accounted for as a "contribution from parent" under the equity method in accordance with Urgent Issues Task Force Abstract 44 'Group and Treasury Share Transactions' and FRS 20. Under the transitional provision of FRS 20, the company has recognised costs on all options granted after 7 November 2002.

The Company recognised total expenses of £2,877,310 and £2,558,990 related to equity settled share based payment transactions in the current and prior periods respectively.

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

5. SHARE BASED PAYMENTS (continued)

During the year the Company operated a restricted stock unit scheme enabling participants to receive shares in Starbucks Corporation (the Company's ultimate parent), with 50% of the grant vesting in November 2012, and the remainder in November 2013

In the prior year the Company operated an equity settled share option scheme, 'Beanstock', for all partners (employees) of the Company. Partners were rewarded with a grant of options in the company's ultimate parent company (Starbucks Corporation) up to a maximum of 12% of base wages at the discretion of the board of directors. The options vested evenly over the following four years, and were exercisable at the closing price on 20 November following the relevant period end

Options which remain unexercised ten years after grant date expire. Options are forfeited if the partner leaves the company before the options vest, and forfeits vested options if they are not exercised within 90 days of leaving the Company. Partners are permitted to elect for a 'cashless exercise' of vested share options by immediately selling the shares acquired upon exercise of the options

Details of the share options outstanding during the period are as follows

	As at 2 October 2011		As at 3 October 2010	
	Number of share options	Weighted average exercise price (\$)	Number of share options	Weighted average exercise price (\$)
Options outstanding at beginning of period	2,097,190	17.40	1,818,057	21.15
Granted during the period	324,869	31.41	882,037	22.09
Forfeited during the period	(458,306)	20.41	(384,380)	17.84
Transfers in/(out) market	2,471	5.83	(46,665)	-
Exercised during the period	(502,535)	16.31	(171,859)	12.54
Options outstanding at the end of the period	1,463,689	19.94	2,097,190	17.40
Options exercisable at the end of the period	1,198,005		366,079	

Range of prices (\$)	Outstanding at 2 October 2011	Outstanding at 3 October 2010
	Number of share options	Number of share options
4.00 - 10.00	456,762	781,533
10.00 - 16.00	65,088	173,281
16.00 - 28.00	620,145	995,827
28.00 - 36.00	244,159	60,999
36.00 - 38.00	77,535	85,550
	1,463,689	2,097,190

The weighted average share price at the date of exercise for share options exercised during the period was \$16.31 (2010: \$12.54). The options outstanding at 3 October 2010 had a weighted average exercise price of \$19.94 (2010: \$17.40), and a weighted average remaining contractual life of seven years (2010: nine years). In the current period, restricted stock units were granted on 15 November 2010 (2010: 19 November 2009).

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

5. SHARE BASED PAYMENTS (continued)

The fair values of the options were calculated using the Black Scholes Merton option valuation model. The assumptions used were evaluated and revised, as necessary to reflect the market conditions and the Company's experience. The inputs into the model were as follows:

	Period ended 2 October 2011	Period ended 3 October 2010
Weighted average share price (\$)	32.14	22.09
Weighted average exercise price (\$)	32.14	22.09
Weighted average fair value (\$)	9.47	8.37
Number of shares originally granted	324,869	882,037
Vesting period	1-4 years	1-4 years
Expected volatility	39.68%	43.31%
Contractual life	10 years	10 years
Expected life	4.35	4.52
Risk free rate	1.43	2.00
Expected dividend yield	1.6%	-
Expected forfeitures	22.00%	39.00%

Expected volatility is based on a combination of historical volatility of the Company's stock and the one-year implied volatility of its traded options, for the related vesting periods.

Expected life is estimated using historical exercise behaviour.

The risk free interest rate is based on the implied yield available on US Treasury zero coupon issues with an equivalent remaining term.

Starbucks Corporation issued its first dividends during the period ended 2 October 2011. The current dividend rate is \$0.17 per share, quarterly.

6. INTEREST

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Bank interest receivable	41,304	18,130
Interest receivable from third parties	8,859	15,463
	<u>50,163</u>	<u>33,593</u>
Third party interest payable	(758,263)	(31,364)
Interest payable to group companies	(1,995,089)	(4,630,489)
Interest payable	<u>(2,753,352)</u>	<u>(4,661,853)</u>

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

Interest on borrowings from group companies is calculated at LIBOR (one year rate) plus 4% as adjusted for changes in LIBOR each fiscal quarter

7. TAX CHARGE/(CREDIT) ON LOSS ON ORDINARY ACTIVITIES

	Period ended 2 October 2011	Period ended 3 October 2010
	£	£
The tax (credit)/charge in the company profit and loss account comprises		
UK corporation tax @ 27% (2010 28%)		
Current tax		
Current year	-	-
Prior years	-	-
	-	-
Deferred tax (note 8)		
Current year	-	-
	-	-
	-	-

The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 27% to 25% from 1 April 2012. 25% was the substantively enacted rate at 2 October 2011 and thus the rate used in measuring deferred tax assets and liabilities. The Budget announcement on 21 March 2012 announced that the rate reduction would be accelerated so that 24% will instead be applicable from 1 April 2012, and further reductions to the main rate have been proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. However, none of these further reductions in the tax rate had been substantively enacted at 2 October 2011 and, therefore, are not reflected in these financial statements.

The difference between the total current tax detailed above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Period ended 2 October 2011	Period ended 3 October 2010
	£	£
Loss on ordinary activities before tax	(32,853,958)	(34,236,334)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 27% (2010 28%)	(8,870,569)	(9,586,173)
Effects of depreciation in excess of capital allowances	4,411,398	5,054,088
Expenses not deductible for tax purposes	4,291,539	5,011,186
Expenses deductible for tax purposes	(28,511)	-
Short lease premiums	(92,952)	104,009
Short term timing differences	(1,615,763)	264,883
Trading losses carried forward	1,904,858	-
Trading losses utilised	-	(847,993)
Tax charge for the period	-	-

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

8. DEFERRED TAX

At the balance sheet date the deferred tax asset not recognised in the accounts principally in relation to capital allowances and other short term timing differences amounts to £40.5m (2010 £35.5m)

9. TANGIBLE FIXED ASSETS

	Short leasehold property £	Fixtures and fittings £	Plant and equipment £	Assets in course of construction £	Total £
Cost					
Opening balance	119,576,844	51,459,834	43,099,539	3,646,890	217,783,107
Additions	4,762,776	1,989,647	2,318,131	2,242,434	11,312,988
Disposals	(4,578,876)	(2,842,304)	(2,421,405)	(1,808)	(9,844,393)
Reclassifications	846,809	512,427	394,289	(1,753,525)	-
Closing balance	120,607,553	51,119,604	43,390,554	4,133,991	219,251,702
Depreciation					
Opening balance	73,572,223	29,861,017	36,462,416	-	139,895,656
Charge for the year	8,350,800	2,630,184	3,953,447	-	14,934,431
Disposals	(3,480,264)	(2,739,296)	(2,266,573)	-	(8,486,133)
Impairment	3,696,405	1,164,227	1,749,957	-	6,610,589
Closing balance	82,139,164	30,916,132	39,899,247	-	152,954,543
Net book value					
As at 2 October 2011	38,468,389	20,203,472	3,491,307	4,133,991	66,297,159
As at 3 October 2010	46,004,621	21,598,817	6,637,123	3,646,890	77,887,451

There are no leased assets included within plant and equipment or fixtures and fittings (2010 £nil)

10. STOCKS

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Goods for resale	2,559,319	2,046,876

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 2 OCTOBER 2011 (continued)**

11. DEBTORS – amounts falling due within one year:

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Trade debtors	5,986,078	5,977,636
Other debtors	2,976,704	1,928,707
Amounts due from other group undertakings	469,065	842,701
Prepayments and accrued income	16,013,532	22,078,549
	<u>25,445,379</u>	<u>30,827,593</u>

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

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Prepayments and accrued income	2,309,642	2,489,903
	<u>2,309,642</u>	<u>2,489,903</u>

13. CREDITORS – amounts falling due within one year

Amounts owed to group undertakings are payable on demand and include non secured borrowings at LIBOR plus 4% from group companies

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Trade creditors	9,173,353	9,988,748
Amounts owed to group undertakings	72,351,267	65,015,578
Other taxation and social security	9,951,397	4,205,361
Other creditors	18,077	25,507
Accruals and deferred income	20,751,922	30,885,549
	<u>112,246,016</u>	<u>110,120,743</u>

STARBUCKS COFFEE COMPANY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)**

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

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Accruals and deferred income	3,153,089	4,216,240
	<u>3,153,089</u>	<u>4,216,240</u>

15. CALLED UP SHARE CAPITAL

	As at 2 October 2011		As at 3 October 2010	
	Ordinary shares of 10p each		Ordinary shares of 10p each	
	Number	£	Number	£
Authorised	5,105,869	510,587	5,105,869	510,587
Allotted, called up and fully paid	3,076,850	307,685	3,072,350	307,235

In September 2011 4,500 ordinary shares of £0.10 each were issued to the parent company, Starbucks Coffee Holdings (UK) Ltd at a premium of £999.90 per share

The issuance of ordinary shares reflects Starbucks Corporation's commitment to long term investment in the UK business

16. SHARE PREMIUM ACCOUNT

	Period ended 2 October 2011 £
Opening	233,298,774
Shares issued during the period	4,499,550
Closing	<u>237,798,324</u>

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

17. PROFIT AND LOSS ACCOUNT

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Opening	(209,409,737)	(177,732,393)
Loss for the period	(32,853,958)	(34,236,334)
	(242,263,695)	(211,968,727)
Addition to capital contribution reserve (see note 5)	2,877,310	2,558,990
Closing	(239,386,385)	(209,409,737)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S (DEFICIT)/FUNDS

	Period ended 2 October 2011 £	Period ended 3 October 2010 £
Opening shareholder's funds/(deficit)	24,196,272	(27,126,384)
Loss for the financial period	(32,853,958)	(34,236,334)
Capital contributions (see note 5)	2,877,310	2,558,990
Conversion of loan into equity	-	50,000,000
Issuance of ordinary shares	4,500,000	33,000,000
Closing shareholder's (deficit)/funds	(1,280,376)	24,196,272

19. CONTINGENT LIABILITIES AND COMMITMENTS

At 2 October 2011, the company had entered into commitments for capital expenditure of £1,743,008 (2010 £2,734,951)

The company had entered into commitments under operating leases for which payments were due in the next financial period as follows

	Period ended 2 October 2011 Land and buildings £	Period ended 3 October 2010 Land and buildings £
Leases expiring in		
Less than one year	3,190,251	2,570,277
Within two to five years	22,137,223	16,581,147
More than five years	28,856,299	35,347,271
	54,183,773	54,498,695

STARBUCKS COFFEE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 OCTOBER 2011 (continued)

20. FOREIGN EXCHANGE CONTRACTS

The company had no commitments under forward exchange currency contracts at the period end (2010 £nil)

21. PARENT COMPANY AND CONTROLLING PARTY

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

Copies of the consolidated accounts of Starbucks Corporation can be obtained from Starbucks Coffee Company, Investor Relations, S-SRI, Starbucks Corporation, PO Box 34067, Seattle, WA 98124-1067

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by Para 3 (c) of FRS 8 "Related Party Disclosures" not to disclose related party transactions with wholly owned Starbucks group companies.

23. SUBSEQUENT EVENTS

In January 2012 9,000 ordinary shares of £0.10 each were issued to the parent company, Starbucks Coffee Holdings (UK) Ltd at a premium of £999.90 per share.

In March 2012 a further 8,000 ordinary shares of £0.10 each were issued to the parent company, Starbucks Coffee Holdings (UK) Ltd at a premium of £999.90 per share.

The issuance of ordinary shares reflects Starbucks Corporation's commitment to long term investment in the UK business.