STARBUCKS CORP
Form 10-Q
August 01, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended July 2, 2017
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number: 0-20322
Starbucks Corporation
(Exact Name of Registrant as Specified in its Charter)

Washington	91-1325671
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

2401 Utah Avenue South, Seattle, Washington 98134
(Address of principal executive offices)
(206) 447-1575
(Registrant's Telephone Number, including Area Code)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
Emerging growth company ¨			

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title	Shares Outstanding as of July 26, 2017
Common Stock, par value $0.001 per share	1,443.9 million

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For the Quarterly Period Ended July 2, 2017
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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share data)
(unaudited)

	Quarter Ended		Three Quarters Ended	
	Jul 2, 2017	Jun 26, 2016	Jul 2, 2017	Jun 26, 2016
Net revenues:				
Company-operated stores	$4,509.0	$4,181.6	$13,173.7	$12,336.3
Licensed stores	588.3	527.2	1,737.4	1,561.0
CPG, foodservice and other	564.2	529.2	1,777.4	1,707.4
Total net revenues	5,661.5	5,238.0	16,688.5	15,604.7
Cost of sales including occupancy costs	2,249.1	2,060.3	6,685.3	6,256.9
Store operating expenses	1,628.9	1,529.4	4,853.5	4,502.0
Other operating expenses	142.5	137.5	422.7	423.3
Depreciation and amortization expenses	252.6	247.6	756.0	730.9
General and administrative expenses	325.0	323.4	1,008.2	959.4
Goodwill and other asset impairments	120.2	—	120.2	—
Total operating expenses	4,718.3	4,298.2	13,845.9	12,872.5
Income from equity investees	101.0	82.5	269.5	212.3
Operating income	1,044.2	1,022.3	3,112.1	2,944.5
Interest income and other, net	31.7	72.9	123.7	95.5
Interest expense	(23.5)	(21.8)	(70.2)	(56.6)
Earnings before income taxes	1,052.4	1,073.4	3,165.6	2,983.4
Income tax expense	361.1	318.9	1,070.1	966.2
Net earnings including noncontrolling interests	691.3	754.5	2,095.5	2,017.2
Net earnings/(loss) attributable to noncontrolling interests	(0.3)	0.4	(0.6)	0.4
Net earnings attributable to Starbucks	$691.6	$754.1	$2,096.1	$2,016.8
Earnings per share - basic	$0.48	$0.51	$1.44	$1.37
Earnings per share - diluted	$0.47	$0.51	$1.43	$1.35
Weighted average shares outstanding:				
Basic	1,447.7	1,465.3	1,452.8	1,474.4
Diluted	1,459.4	1,479.3	1,464.9	1,489.7
Cash dividends declared per share	$0.25	$0.20	$0.75	$0.60

See Notes to Condensed Consolidated Financial Statements.

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, unaudited)

	Quarter Ended		Three Quarters Ended	
	Jul 2, 2017	Jun 26, 2016	Jul 2, 2017	Jun 26, 2016
Net earnings including noncontrolling interests	$691.3	$754.5	$2,095.5	$2,017.2
Other comprehensive income/(loss), net of tax:				
Unrealized holding gains/(losses) on available-for-sale securities	1.6	(4.1)	(9.9)	0.7
Tax (expense)/benefit	(0.6)	1.5	3.0	(0.3)
Unrealized gains/(losses) on cash flow hedging instruments	(15.2)	(48.4)	64.8	(110.7)
Tax (expense)/benefit	2.5	12.8	(16.3)	27.5
Unrealized gains/(losses) on net investment hedging instruments	2.7	—	18.6	—
Tax (expense)/benefit	(1.0)	—	(6.9)	—
Translation adjustment and other	38.0	49.8	(75.2)	79.8
Tax (expense)/benefit	(1.8)	4.9	(0.9)	11.5
Reclassification adjustment for net (gains)/losses realized in net earnings for available-for-sale securities, hedging instruments, and translation adjustment	(6.4)	53.8	(67.9)	73.3
Tax expense/(benefit)	1.5	(9.7)	14.0	(11.0)
Other comprehensive income/(loss)	21.3	60.6	(76.7)	70.8
Comprehensive income including noncontrolling interests	712.6	815.1	2,018.8	2,088.0
Comprehensive income/(loss) attributable to noncontrolling interests	(0.3)	0.4	(0.6)	0.4
Comprehensive income attributable to Starbucks	$712.9	$814.7	$2,019.4	$2,087.6

See Notes to Condensed Consolidated Financial Statements.

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)
(unaudited)

	Jul 2, 2017	Oct 2, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$2,716.2	$2,128.8
Short-term investments	289.9	134.4
Accounts receivable, net	791.1	768.8
Inventories	1,357.3	1,378.5
Prepaid expenses and other current assets	354.8	347.4
Total current assets	5,509.3	4,757.9
Long-term investments	708.3	1,141.7
Equity and cost investments	430.2	354.5
Property, plant and equipment, net	4,699.8	4,533.8
Deferred income taxes, net	805.9	885.4
Other long-term assets	365.3	403.3
Other intangible assets	454.8	516.3
Goodwill	1,549.1	1,719.6
TOTAL ASSETS	$14,522.7	$14,312.5
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$702.2	$730.6
Accrued liabilities	1,770.6	1,999.1
Insurance reserves	211.5	246.0
Stored value card liability	1,342.2	1,171.2
Current portion of long-term debt	—	399.9
Total current liabilities	4,026.5	4,546.8
Long-term debt	3,935.5	3,185.3
Other long-term liabilities	711.2	689.7
Total liabilities	8,673.2	8,421.8
Shareholders’ equity:		
Common stock ($0.001 par value) — authorized, 2,400.0 shares; issued and outstanding, 1,445.7 and 1,460.5 shares, respectively	1.4	1.5
Additional paid-in capital	41.1	41.1
Retained earnings	5,986.0	5,949.8
Accumulated other comprehensive loss	(185.1)	(108.4)
Total shareholders’ equity	5,843.4	5,884.0
Noncontrolling interests	6.1	6.7
Total equity	5,849.5	5,890.7
TOTAL LIABILITIES AND EQUITY	$14,522.7	$14,312.5

See Notes to Condensed Consolidated Financial Statements.

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STARBUCKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions, unaudited)

	Three Quarters Ended	
	Jul 2, 2017	Jun 26, 2016
OPERATING ACTIVITIES:		
Net earnings including noncontrolling interests	$2,095.5	$2,017.2
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	796.4	768.2
Deferred income taxes, net	75.1	344.7
Income earned from equity method investees	(210.1)	(165.5)
Distributions received from equity method investees	133.2	139.4
Gain resulting from sale of equity in joint venture and certain retail operations	(9.6)	(30.7)
Stock-based compensation	148.7	158.4
Excess tax benefit on share-based awards	(69.4)	(110.9)
Goodwill impairments	87.2	—
Other	28.2	40.8
Cash provided by changes in operating assets and liabilities:		
Accounts receivable	(40.1)	(39.5)
Inventories	19.1	(15.7)
Accounts payable	(18.3)	(3.7)
Stored value card liability	178.3	223.5
Other operating assets and liabilities	(124.6)	(59.3)
Net cash provided by operating activities	3,089.6	3,266.9
INVESTING ACTIVITIES:		
Purchases of investments	(592.5)	(1,022.7)
Sales of investments	831.7	409.6
Maturities and calls of investments	61.7	11.8
Additions to property, plant and equipment	(1,025.3)	(1,029.7)
Net proceeds from sale of equity in joint venture and certain retail operations	—	69.6
Other	54.9	3.3
Net cash used by investing activities	(669.5)	(1,558.1)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	750.2	1,254.5
Principal payments on long-term debt	(400.0)	—
Proceeds from issuance of common stock	131.5	120.9
Excess tax benefit on share-based awards	69.4	110.9
Cash dividends paid	(1,089.8)	(884.8)
Repurchase of common stock	(1,214.1)	(1,590.4)
Minimum tax withholdings on share-based awards	(71.5)	(105.3)
Other	1.5	0.1
Net cash used by financing activities	(1,822.8)	(1,094.1)
Effect of exchange rate changes on cash and cash equivalents	(9.9)	(3.0)
Net increase in cash and cash equivalents	587.4	611.7
CASH AND CASH EQUIVALENTS:		
Beginning of period	2,128.8	1,530.1
End of period	$2,716.2	$2,141.8

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest, net of capitalized interest	$87.3	$68.3
Income taxes, net of refunds	$1,084.6	$669.8

See Notes to Condensed Consolidated Financial Statements.

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STARBUCKS CORPORATION
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STARBUCKS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)
Note 1: Summary of Significant Accounting Policies
Financial Statement Preparation
The unaudited condensed consolidated financial statements as of July 2, 2017, and for the quarter and three quarters ended July 2, 2017 and June 26, 2016, have been prepared by Starbucks Corporation under the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of management, the financial information for the quarter and three quarters ended July 2, 2017 and June 26, 2016 reflects all adjustments and accruals, which are of a normal recurring nature, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. In this Quarterly Report on Form 10-Q ("10-Q"), Starbucks Corporation is referred to as "Starbucks," the "Company," "we," "us" or "our."
The financial information as of October 2, 2016 is derived from our audited consolidated financial statements and notes for the fiscal year ended October 2, 2016 ("fiscal 2016") included in Item 8 in the Fiscal 2016 Annual Report on Form 10-K (the "10-K"). The information included in this 10-Q should be read in conjunction with the footnotes and management's discussion and analysis of the consolidated financial statements in the 10-K.
The results of operations for the quarter and three quarters ended July 2, 2017 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending October 1, 2017 ("fiscal 2017").
Recent Accounting Pronouncements
In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance that simplifies the measurement of goodwill impairment. Under this new guidance, an impairment charge, if triggered, is calculated as the difference between a reporting unit's carrying value and fair value, but it is limited to the carrying value of goodwill. During the second quarter of fiscal 2017, we elected to early-adopt this guidance on a prospective basis.
In October 2016, the FASB issued guidance on the accounting for income tax effects of intercompany sales or transfers of assets other than inventory. The guidance requires entities to recognize the income tax impact of an intra-entity sale or transfer of an asset other than inventory when the sale or transfer occurs, rather than when the asset has been sold to an outside party. The guidance will require a modified retrospective application with a cumulative catch-up adjustment to opening retained earnings at the beginning of our first quarter of fiscal 2019 but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.
In June 2016, the FASB issued guidance on the measurement and recognition of credit losses on most financial assets. For trade receivables, loans, and held-to-maturity debt securities, the current probable loss recognition methodology is being replaced by an expected credit loss model. For available-for-sale debt securities, the recognition model on credit losses is generally unchanged, except the losses will be presented as an adjustable allowance. The guidance will be applied retrospectively with the cumulative effect recognized as of the date of adoption. The guidance will become effective at the beginning of our first quarter of fiscal 2021 but can be adopted as early as the beginning of our first quarter of fiscal 2020. We are currently evaluating the impact this guidance will have on our consolidated financial statements and the timing of adoption.
In March 2016, the FASB issued guidance related to stock-based compensation, which changes the accounting and classification of excess tax benefits and minimum tax withholdings on share-based awards. With this adoption, excess tax benefits and tax deficiencies related to stock-based compensation will be prospectively reflected as income tax expense in our consolidated statement of earnings instead of additional paid-in capital on our consolidated balance sheet. Additionally, within our consolidated statement of cash flows, this guidance will require excess tax benefits to be presented as an operating activity, rather than a financing activity, in the same manner as other cash flows related to income taxes. As a result, we expect the adoption will have a significant impact on income tax expense and earnings per share, as reported in our consolidated statement of earnings, and consolidated statement of cash flows. We will adopt this guidance in the first quarter of fiscal 2018.
In March 2016, the FASB issued guidance for financial liabilities resulting from selling prepaid stored value products that are redeemable at third-party merchants. Under the new guidance, expected breakage amounts associated with

these products must be recognized proportionately in earnings as redemption occurs. Our current accounting policy of applying the remote method to all of our stored value cards, including cards redeemable at the third-party licensed locations, will no longer be allowed. We will adopt and implement the provisions of this guidance and the new revenue recognition standard issued by the FASB, as discussed below, in the first quarter of fiscal 2019.

In February 2016, the FASB issued guidance on the recognition and measurement of leases. Under the new guidance, lessees are required to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use asset on the balance sheet for most leases. The guidance retains the current accounting for

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lessors and does not make significant changes to the recognition, measurement, and presentation of expenses and cash flows by a lessee. Enhanced disclosures will also be required to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will require modified retrospective application at the beginning of our first quarter of fiscal 2020, with optional practical expedients, but permits adoption in an earlier period. We are currently evaluating the impact this guidance will have on our consolidated financial statements. We expect this adoption will result in a material increase in the assets and liabilities on our consolidated balance sheets but will likely have an insignificant impact on our consolidated statements of earnings.

In April 2015, the FASB issued guidance on the financial statement presentation of debt issuance costs. This guidance requires these costs to be presented in the balance sheet as a reduction of the related debt liability rather than as an asset. We retrospectively adopted this guidance in the first quarter of fiscal 2017, which resulted in the reclassification of $17.0 million of debt issuance costs previously presented in prepaid expenses and other current assets and other long-term assets to long-term debt in our consolidated balance sheet as of October 2, 2016. Components of our long-term debt and aggregate debt issuance costs and unamortized premium are disclosed in Note 7, Debt.

In May 2014, the FASB issued guidance outlining a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers that supersedes most current revenue recognition guidance. This guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. We are currently evaluating the overall impact this guidance will have on our consolidated financial statements, as well as the expected method of adoption. Based on our continued assessment, which may identify other accounting impacts, we have determined the adoption will change the timing of recognition and classification of our stored value card breakage income, which is currently recognized using the remote method and recorded in interest income and other, net. The new guidance will require application of the proportional method and classification within total net revenues on our consolidated statements of earnings. Additionally, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. We will adopt this guidance in the first quarter of fiscal 2019.

Note 2: Acquisitions and Divestitures

Fiscal 2016

During the third quarter of fiscal 2016, we sold our ownership interest in our Germany retail business to AmRest Holdings SE for a total of $47.3 million. This transaction converted these company-operated stores to a fully licensed market. The cumulative pre-tax gains recognized upon satisfying certain related contingent items were insignificant and were included in interest income and other, net on our condensed consolidated statement of earnings.

In the first quarter of fiscal 2016, we sold our 49% ownership interest in our Spanish joint venture, Starbucks Coffee España, S.L. (“Starbucks Spain”), to our joint venture partner, Sigla S.A. (Grupo Vips), for a total purchase price of $30.2 million. This transaction resulted in an insignificant pre-tax gain, which was included in interest income and other, net on our condensed consolidated statements of earnings.

Note 3: Derivative Financial Instruments

Interest Rates

We are subject to interest rate volatility with regard to existing and future issuances of debt. From time to time, we enter into swap agreements to manage our exposure to interest rate fluctuations.

To hedge the variability in cash flows due to changes in benchmark interest rates, we enter into interest rate swap agreements related to anticipated debt issuances. These agreements are cash settled at the time of the pricing of the related debt. The effective portion of the derivative's gain or loss is recorded in accumulated other comprehensive income (“AOCI”) and is subsequently reclassified to interest expense over the life of the related debt.

To hedge the exposure to changes in the fair value of our fixed-rate debt, we enter into interest rate swap agreements, which are designated as fair value hedges. The changes in fair values of these derivative instruments and the offsetting changes in fair values of the underlying hedged debt are recorded in interest expense and have an insignificant impact on our condensed consolidated statement of earnings. We entered into an interest rate swap agreement during the third quarter of fiscal 2017 related to our 3.850% Senior Notes due in October 2023 (“2023 notes”). Refer to Note 7, Debt, for additional information on our long-term debt.

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Foreign Currency

To reduce cash flow volatility from foreign currency fluctuations, we enter into forward and swap contracts to hedge portions of cash flows of anticipated intercompany royalty payments, inventory purchases, and intercompany borrowing and lending activities. The effective portion of the derivative's gain or loss is recorded in AOCI and is subsequently reclassified to revenue, cost of sales including occupancy costs, or interest income and other, net, respectively, when the hedged exposure affects net earnings.

From time to time, we enter into forward contracts or use foreign currency-denominated debt to hedge the currency exposure of our net investment in certain international operations. The effective portion of these instruments' gain or loss is recorded in AOCI and is subsequently reclassified to net earnings when the hedged net investment is either sold or substantially liquidated.

Foreign currency forward and swap contracts not designated as hedging instruments are used to mitigate the foreign exchange risk of certain other balance sheet items. Gains and losses from these derivatives are largely offset by the financial impact of translating foreign currency denominated payables and receivables; these gains and losses are recorded in interest income and other, net.

Commodities

Depending on market conditions, we may enter into coffee futures contracts and collars (the combination of a purchased call option and a sold put option) to hedge a portion of anticipated cash flows under our price-to-be-fixed green coffee contracts, which are described further in Note 5, Inventories. The effective portion of each derivative's gain or loss is recorded in AOCI and is subsequently reclassified to cost of sales including occupancy costs when the hedged exposure affects net earnings.

To mitigate the price uncertainty of a portion of our future purchases, primarily of dairy products, diesel fuel and other commodities, we enter into swap contracts, futures and collars that are not designated as hedging instruments. Gains and losses from these derivatives are recorded in interest income and other, net to help offset price fluctuations on our beverage, food, packaging and transportation costs, which are included in cost of sales including occupancy costs on our consolidated statements of earnings.

Gains and losses on derivative contracts and foreign currency-denominated debt designated as hedging instruments included in AOCI and expected to be reclassified into earnings within 12 months, net of tax (in millions):

	Net Gains/(Losses) Included in AOCI		Net Gains Expected to be Reclassified from AOCI into Earnings within 12 Months	Outstanding Contract/Debt Remaining Maturity (Months)
	Jul 2, 2017	Oct 2, 2016		
Cash Flow Hedges:				
Interest rates	$ 18.2	$ 20.5	$ 3.0	0
Cross-currency swaps	(5.5)	(7.7)	—	89
Foreign currency - other	0.7	(0.4)	2.0	35
Coffee	(10.2)	(1.6)	(10.2)	7
Net Investment Hedges:				
Foreign currency	19.1	1.3	—	0
Foreign currency debt	(6.1)	—	—	82

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Pretax gains and losses on derivative contracts and foreign-denominated long-term debt designated as hedging instruments recognized in other comprehensive income ("OCI") and reclassifications from AOCI to earnings (in millions):

	Quarter Ended				Three Quarters Ended			
	Gains/(Losses) Recognized in OCI Before Reclassifications		Gains/(Losses) Reclassified from AOCI to Earnings		Gains/(Losses) Recognized in OCI Before Reclassifications		Gains/(Losses) Reclassified from AOCI to Earnings	
	Jul 2, 2017	Jun 26, 2016	Jul 2, 2017	Jun 26, 2016	Jul 2, 2017	Jun 26, 2016	Jul 2, 2017	Jun 26, 2016
Cash Flow Hedges:								
Interest rates	$—	$ (2.0)	$ 1.2	$ 1.2	$—	$ (10.3)	$ 3.6	$ 4.0
Cross-currency swaps	5.9	(28.0)	1.6	(57.6)	58.5	(72.9)	55.8	(95.8)
Foreign currency - other	(10.6)	(19.1)	4.2	2.2	15.9	(27.9)	12.2	18.5
Coffee	(10.0)	7.8	0.7	(0.5)	(9.8)	0.4	(0.3)	(1.1)
Net Investment Hedges:								
Foreign currency	2.7	—	—	—	28.2	—	—	—
Foreign currency debt	—	—	—	—	(9.6			

Tax Fees for the years ended December 31, 2010 and December 31, 2009 were for professional services rendered for tax compliance and tax consulting.

All Other Fees for the year ended December 31, 2010 were for professional services rendered for Solvency II/Enterprise Risk Management consulting. There were no fees in the All Other Fees category for the fiscal year ended December 31, 2009.

Our Audit Committee approved all of the services and related fees described above. In addition, our Audit Committee considers whether the nature or amount of non-audit services could potentially affect Deloitte & Touche s independence.

Our Audit Committee has adopted a policy to pre-approve all audit and permissible non-audit services provided by its independent auditors. For the year ended December 31, 2010, the Audit

Committee approved these services by its independent registered public accounting firm on an individual basis as the need arose. The Audit Committee may instead choose to pre-approve a list of specific services and categories of services, including audit, audit-related, and other services, for the upcoming or current fiscal year, subject to a specified cost level, although this was not done in 2010. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee. In addition, all audit and permissible non-audit services in excess of the pre-approved cost level, whether or not such services are included on the pre-approved list of services, must be separately pre-approved by the Audit Committee chairman.

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ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) *Financial Statements, Financial Statement Schedules and Exhibits.*

1. *Financial Statements*

No financial statements are filed with this Amendment. These items were included as part of the Original Filing.

2. *Financial Statement Schedules*

No financial statement schedules are filed with this Amendment. These items were included as part of the Original Filing.

3. *Exhibits*

The Exhibits listed below are filed as part of, or incorporated by reference into, this report.

Exhibit No.	**Description**
2..1[w]	Agreement and Plan of Merger, dated as of May 23, 2006, as amended on November 21, 2006, by and among Castlewood Holdings Limited, CWMS Subsidiary Corp. and The Enstar Group, Inc. (incorporated by reference to Exhibit 2.1 (and Annex A) to the proxy statement/prospectus that forms a part of the Company s Registration Statement on Form S-4, as filed with the Securities and Exchange Commission and declared effective December 15, 2006).
2..2[w]	Recapitalization Agreement, dated as of May 23, 2006, among Castlewood Holdings Limited, The Enstar Group, Inc. and the other parties signatory thereto (incorporated by reference to Exhibit 2.2 (and Annex C) to the proxy statement/prospectus that forms a part of the Company s Registration Statement on Form S-4, as filed with the Securities and Exchange Commission and declared effective December 15, 2006).
2..3[w]	Agreement relating to the Sale and Purchase of the Entire Issued Share Capital of Inter-Ocean Holdings Ltd. dated December 29, 2006, as amended on January 29, 2007 (incorporated by reference to Exhibit 2.1 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 1, 2007).
2..4[w]	Share Sale Agreement, dated December 10, 2007, by and between Enstar Group Limited, Enstar Australia Holdings Pty Limited, AMP Insurance Investment Holdings Pty Limited, AMP Holdings Limited, AMP Group Services Limited, AMP Group Holdings Limited and AMP Services Limited (incorporated by reference to Exhibit 2.4 of the Company s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 29, 2008).
2..5[w]	Agreement for the Sale and Purchase of the Entire Issued Share Capital of Unionamerica Holdings Limited, dated October 7, 2008, by and between St. Paul Fire and Marine Insurance Company, Royston Run-off Limited and Kenmare Holdings Limited (incorporated by reference to Exhibit 2.5 of the Company s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on March 5, 2009).
3.1*	Memorandum of Association of Enstar Group Limited.
3.2	Second Amended and Restated Bye-Laws of Enstar Group Limited (incorporated by reference to Exhibit 3.1 of the Company s Form 8-K12B, as filed with the Securities and Exchange Commission on January 31, 2007).

10.1	Registration Rights Agreement, dated as of January 31, 2007, by and among Castlewood Holdings Limited, Trident II, L.P., Marsh & McLennan Capital Professionals Fund, L.P., Marsh & McLennan Employees Securities Company, L.P., J. Christopher Flowers, Dominic F. Silvester and other parties thereto set forth on the Schedule of Shareholders attached thereto (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K12B, as filed with the Securities and Exchange Commission on January 31, 2007).
10.2+	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.1 of the Company s Registration Statement on Form S-3 (No. 333-151461) initially filed with the Securities and Exchange Commission on June 5, 2008).

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Exhibit No.	Description
10.3	Tax Indemnification Agreement, dated as of May 23, 2006, among Castlewood Holdings Limited, The Enstar Group, Inc. and J. Christopher Flowers (incorporated by reference to Exhibit 10.3 to the proxy statement/prospectus that forms a part of the Company s Registration Statement on Form S-4, as filed with the Securities and Exchange Commission and declared effective December 15, 2006).
10.4+	Amended and Restated Employment Agreement, effective May 1, 2007 and amended and restated June 4, 2007, by and among Enstar Group Limited and Dominic F. Silvester (incorporated by reference to Exhibit 10.2 of the Company s Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on August 9, 2007).
10.5+	Employment Agreement, effective May 1, 2007, by and among Enstar Group Limited, Castlewood (US) Inc., and John J. Oros (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 3, 2007).
10.6+	Employment Agreement, effective May 1, 2007, by and among the Company and Paul J. O Shea (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 3, 2007).
10.7+	Employment Agreement, effective May 1, 2007, by and among Enstar Group Limited and Nicholas A. Packer (incorporated by reference to Exhibit 10.4 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 3, 2007).
10.8+	Employment Agreement, effective May 1, 2007, by and among Enstar Group Limited and Richard J. Harris (incorporated by reference to Exhibit 10.5 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on May 3, 2007).
10.9+	Castlewood Holdings Limited 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 to the proxy statement/prospectus that forms a part of the Company s Registration Statement on Form S-4, as filed with the Securities and Exchange Commission and declared effective December 15, 2006), as amended by the First Amendment to Castlewood Holdings Limited 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 6, 2007).
10.10+	Castlewood Holdings Limited 2006-2010 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.12 to the proxy statement/prospectus that forms a part of the Company s Registration Statement on Form S-4, as filed with the Securities and Exchange Commission and declared effective December 15, 2006), as amended by the First Amendment to Castlewood Holdings Limited 2006-2010 Annual Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 6, 2007).
10.11+	Form of Award Agreement under the Castlewood Holdings Limited 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on April 6, 2007).
10.12+	Enstar Group Limited Amended and Restated Employee Share Purchase Plan (incorporated by reference to Appendix A to the Company s Definitive Proxy Statement, as filed with the Securities and Exchange Commission on April 29, 2008).
10.13+	Enstar Group Limited Deferred Compensation and Ordinary Share Plan for Non-Employee Directors, effective as of June 5, 2007 (incorporated by reference to Exhibit 10.1 of the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on June 11, 2007).
10.14+	The Enstar Group, Inc. 1997 Amended Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to The Enstar Group, Inc. s Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on August 14, 2001), as amended by the Amendment to the 1997 Omnibus

	Inventive Plan (incorporated by reference to Annex A to the Proxy Statement for the Annual Meeting of Shareholders of The Enstar Group, Inc., as filed with the Securities and Exchange Commission on April 22, 2003).
10.15+	The Enstar Group, Inc. 2001 Outside Directors Stock Option Plan (incorporated by reference to Annex B to the Proxy Statement for the Annual Meeting of Shareholders of The Enstar Group, Inc., as filed with the Securities and Exchange Commission on May 8, 2001).

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Exhibit No.	Description
10.16	License Agreement, dated October 27, 2005, between Castlewood (US) Inc. and J.C. Flowers & Co. LLC (incorporated by reference to Exhibit 10.10 to the proxy statement/prospectus that forms a part of the Registration Statement on Form S-4 of the Company, as filed with the Securities and Exchange Commission and declared effective December 15, 2006).
10.17	Term Facilities Agreement, dated October 3, 2008, by and between Royston Run-off Limited and National Australia Bank Limited (incorporated by reference to Exhibit 10.19 of the Company s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on March 5, 2009).
10.18	Amended and Restated Term Facilities Agreement, dated as of October 3, 2008, as amended and restated August 4, 2009, by and among Royston Run-off Limited, National Australia Bank Limited and Barclays Bank PLC (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on From 10-Q, as filed with the Securities and Exchange Commission on November 6, 2009).
10.19+	The Enstar Group, Inc. Deferred Compensation and Stock Plan for Non-Employee Directors, as amended (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on May 8, 2009).
10.20+	Share Repurchase Agreement, dated as of October 1, 2010, by and among Enstar Group Limited, Dominic F. Silvester and R&H Trust Co. (NZ) Limited, as trustee of the Left Trust (incorporated by reference to Exhibit 10.1 to the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on October 1, 2010).
10.21+	Share Repurchase Agreement, dated as of October 1, 2010, by and among Enstar Group Limited, Paul J. O Shea and R&H Trust Co. (BVI) Limited, as trustee of the Elbow Trust (incorporated by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on October 1, 2010).
10.22+	Share Repurchase Agreement, dated as of October 1, 2010, by and among Enstar Group Limited, Nicholas A. Packer and Hove Investments Holding Limited (incorporated by reference to Exhibit 10.3 to the Company s Current Report on Form 8-K, as filed with the Securities and Exchange Commission on October 1, 2010).
10.23+	Separation Agreement and General Release, dated as of August 20, 2010, by and among Enstar Group Limited, Enstar (US), Inc. and John J. Oros (incorporated by reference to Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q, as filed with the Securities and Exchange Commission on November 5, 2010).
10.24	Facilities Agreement, dated as of December 29, 2010, by and among Enstar Group Limited, certain of its subsidiaries, Barclays Corporate and Barclays Bank PLC (previously filed with Original Filing).
10.25+	Enstar Group Limited 2011-2015 Annual Incentive Compensation Program (previously filed with Original Filing).
21.1	List of Subsidiaries (previously filed with Original Filing).
23.1	Consent of Deloitte & Touche (previously filed with Original Filing).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed with Original Filing).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (previously filed with Original Filing).

* filed herewith

\+ denotes management contract or compensatory arrangement

w certain of the schedules and similar attachments are not filed but Enstar Group Limited undertakes to furnish a copy of the schedules or similar attachments to the Securities and Exchange Commission upon request

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 2, 2011.

ENSTAR GROUP LIMITED

By: /s/ Dominic F. Silvester

Chief Executive Officer

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EXHIBIT INDEX

Exhibit No.	Description
3.1*	Memorandum of Association of Enstar Group Limited.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934 as adopted under Section 302 of the Sarbanes-Oxley Act of 2002.

* filed herewith