Costco UK Holdings Limited

and Group Undertakings

Consolidated Financial Statements

for the 52 weeks ended 1st September 2019

Registered Number: 3934833

CONTENTS

Strategic Report

for the 52 weeks ended 1st September 2019

Strategic Review

The focus of Costco's strategy continues towards growing its existing warehouse business profitably through more complementary business services like petrol filling stations, increasing the membership base, continually offering a value proposition in terms of price and high quality, and leveraging expenses. The company now has a presence in all major UK markets and continues to seek suitable in-fill opportunities in existing markets that have a good network of easily accessible roads and a high proportion of businesses. In addition, our ecommerce business strategy is to provide an additional channel to the mainstream model by providing a complementary expanded selection of new items and services.

Key Performance Indicators

Financial
Sales growth – total and like for like (LFLS)
Gross margin
Expenses ratio
Earnings before tax
Stock, stock turnover, and cash flow

Non - Financial
Membership sign ups and renewals
Productivity
Labour turnover
Health and safety incidents
On time payment to suppliers

Results including Key Trends and Factors affecting Performance

Turnover for the period increased 3.5% to £2,705.2m (2018 – £2,613.1m) against the backdrop of a competitive trading environment. Apart from the increased footfall brought about by existing and new petrol filling stations the key drivers of sales growth were our core food and sundries departments with sundries, beers & wine and fresh foods being particularly strong. Other departments showing significant percentage increases this period were electronics and hardware.

Membership sales remained strong, showing good member loyalty and satisfaction resulting in high renewal rates. Membership sales were also boosted by various marketing initiatives that increased both the standard and the executive membership base and the opening of petrol stations.

During the period Costco opened its 29th warehouse in Stevenage and successfully opened three petrol filling stations at Leicester, Southampton and Stevenage, leading to an increase in footfall within those warehouses. This brought the total number of petrol filling stations to sixteen by the end of the period. The opening of petrol filling stations helped to increase shopping frequency and additional membership, resulting in sales increases year on year in a number of departments, with food departments particularly benefiting from the extra visits made by members. There are plans to open petrol stations at a number of other locations in the coming months, ultimately to have a petrol filling station at the majority of our locations over the medium to longer term.

In line with the prior period, the market place continued to be very competitive, whereby cash and carry wholesalers, major supermarket chains, hard discounters and multiple general retailers continually offered deep discounts on a variety of products to entice and retain customers, and gain market share. We in turn responded by maintaining our value proposition for our members through regular voucher and instant discounts on selected merchandise as well as through every day low price (EDLP) strategy on some of our basic categories in food and sundries. We have maintained our prices on a number of categories despite continuing inflationary pressures on direct imports arising from the weakening of sterling and the costs increasing on locally procured products which have an in-built element of imported ingredients. Additionally, we continue to increase the number items under our private label brand, Kirkland Signature, which provides excellent value to our members.

An increase in gross profit during the period reflects continued growth at our newer locations and locations with petrol filling stations, successful turnarounds at some of the historically underperforming locations as well as an improvement in gross margin of our online channel. Despite the competitive pricing pressure and cost increases, we maintained our gross margin in line with our expectation.

Strategic Report (continued)

Results including Key Trends and Factors affecting Performance (continued)

This was achieved through improved inventory and category management, lower levels of markdowns and higher operating standards and services to our members. We continued to maintain our focus on delivering value to our members on key trade commodity items through timely and efficient procurement.

Gross profit increased 10.2% to £78.0 (2018: £70.8m) from improved margins, partly from a shift in sales penetration to higher margin products compared to the prior period, better performance from our petrol business and continuing increases in productivity across the business. The operating profit increased 41.5% to £17.4m (2018: £12.3m) helped by an increase in gross profit as well as continued focus on achieving higher operational efficiencies. The profit before tax increased from £18.4m to £19.8m impacted partly from to a mark to market loss on foreign currency forward contracts held at the end of the period.

During the period, the company increased its investment in Costco Online UK Limited through a purchase of 25,000,000 ordinary shares at the value of £25,000,000. This investment is in line with the strategy to grow the online channel and provide working capital in order to allow that company to continue to develop its website and improve customer experience as well as further enhance its online offers and services.

Recapitalisation of Costco Online UK Limited

During the period, the company increased its investment in Costco Online UK Limited through a purchase of 25,000,000 ordinary shares at the value of £25,000,000. This investment is in line with the strategy to grow the online channel and provide working capital in order to allow that company to continue to develop its website and improve customer experience as well as further enhance its online offers and services.

Risk and opportunities

The risks described below could materially and adversely affect our business, financial condition or results of operations. They could cause our actual results to differ materially from our historical experience and planned results.

1. Our ability to respond effectively to strong competition from other wholesalers, multiple supermarkets, hard discounters, general retailers, and other channels of distribution e.g. ecommerce, could adversely affect our financial performance.

We continuously strive to ensure we conduct regular price comparisons against our competitors and offer everyday better value for money in terms of lower price, best quality and excellent service. In addition we maintain our focus on leveraging increases in operating expenses and staff related costs through increases in operating efficiencies and investment in improving our systems and processes.

2. We may not identify in a timely manner, or effectively respond to, consumer trends which could adversely affect our relationship with our members, the demand for our products & services, and our market share.

It is difficult to consistently and successfully predict the products and services our members will demand. The success of our business depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences. Our buying teams are constantly in touch with the suppliers of the products and attend regular trade shows to ensure we are in touch with ever changing consumer trends and also identifying new items.

3. Our ability to open new warehouses is affected by the changes in planning laws and other regulations related to use of land.

We constantly monitor and respond to new planning laws or changes in existing planning laws and other regulations. We expect to increase our presence in existing markets and enter new markets. This will depend on our ability to identify and secure suitable locations on acceptable terms and manage pre-opening expenses, including construction costs.

4. Material interruption to our business operations and results could arise from a loss or failure of our computer systems and back up processes, or a natural disaster.

We have 24 hour monitoring and back up processes in place to minimise the risk of a system failure. In the event of a major systems loss or a natural disaster our Disaster Recovery Plan, which is routinely tested, comes into action with members of the senior management team able to get together at short notice and make the necessary decisions to recover.

Strategic Report (continued)

Risk and opportunities (continued)

5. Damage to our brands or reputation may negatively impact our sales and membership and also lower employee morale and productivity.

Damage to our brands and reputation would arise from selling of merchandise or services which fail to meet our high safety and quality standards, or from our failure to comply with all applicable laws and regulation in our business dealings with our employees, suppliers, government agencies or any other bodies We minimise the risk of damage to our brands and reputation through rigorous due diligence over product safety and quality, constant

monitoring of our internal operational and merchandising procedures as well as regular training and development of our employees.

6. A breach of member or employee data due to external threat to cause disruption or access sensitive data could cause financial, regulatory, legal and/or reputational damage.

We receive, retain, and transmit personal information about our members and entrust that information to third-party business associates, including cloud service-providers that perform activities for us. Our online businesses depend upon the secure transmission of encrypted confidential information over public networks, including information permitting cashless payments. A compromise of our security systems or defects within our hardware or software, or those of our business associates, that results in our members' or employees' information being obtained by unauthorised persons, could adversely affect our reputation with our members and others, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation, government actions, or the imposition of penalties. In addition, a breach could require that we expend significant additional resources related to the security of information systems and could disrupt our operations.

The use of data by our business and our business associates is regulated at the national level. Privacy and information-security laws and regulations change, and compliance with them may result in cost increases due to, among other things, systems changes and the development of new processes. If we or those with whom we share information fail to comply with these laws and regulations, our reputation could be damaged, possibly resulting in lost future business, and we could be subjected to additional legal risk as a result of non-compliance, including fines of up to 4% of our global revenue in the case of the General Data Protection Regulation (GDPR). We currently maintain cyber-insurance for these risks.

We have security measures and controls to protect personal and business information and continue to make investments to secure access to our information technology network. These measures may be undermined, however, due to the actions of outside parties, employee error, internal or external malfeasance, or otherwise, and, as a result an unauthorised party may obtain access to our data systems and misappropriate business and personal information. Because the techniques used to obtain unauthorised access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques, timely discover or counter them, or implement adequate preventative measures. Any such breach or unauthorised access could result in significant legal and financial exposure, damage to our reputation, and potentially have an adverse effect on our business and results of operations.

7. Covid-19 pandemic could adversely impact our business functions, financial conditions and results of our operations.

The Covid-19 outbreak has led to widespread and continuing impacts on the global economy and it is affecting our business functions and the operations of others we do business with. We have taken immediate measures to protect the health of our employees and members, including limiting density in warehouses and depot facilities and ceasing sales of certain categories of merchandise, requiring our office employees to work remotely where possible, increased compensation levels of certain employees and limiting all non-essential travel. The extent to which the coronavirus impacts our results and financial position will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the coronavirus and the actions to contain and treat its impacts, among others.

The senior management team meet on a regularly basis in order to discuss and ensure that appropriate measures are in place to safeguard the operations and financial position of our business including the health of our employees and members in all our locations.

Risk and opportunities (continued)

8. Brexit - The outcome and impact of future negotiations in relation to the UK's exit from the European Union remains uncertain and presents additional risks and opportunities.

The most significant risk to the company in this regard is supply chain disruption, particularly if the UK leaves the European Union without a negotiated exit agreement in place. Such a situation would impact all major retailers in the UK and the possible outcomes are varied and difficult to predict, but are expected to include increased delivery times and supply costs. To mitigate the risks to the business Costco is working with its suppliers to minimise any potential impact on the business as far as is reasonably possible in the current climate of uncertainty. Costco is also working with suppliers to identify opportunities for new products that may become available due to changes in the market place.

In order to minimise and counteract risks, the management team meet on a weekly and periodic basis to discuss different issues identified by each of the functional areas and decisions are made on the best course of action to mitigate them.

Outlook

The short term focus of our strategy is to continue growing our business profitably through the existing warehouses, add a petrol filling station at the majority of our locations, continue developing and successfully growing our online channel and increase our membership base.

We opened a new petrol filling station at our Coventry location in May 2020. As with other warehouses with a petrol filling station we saw a positive impact on footfall at this location.

The Covid-19 outbreak has led to widespread and continuing impacts on the global economy and it is affecting our business functions and the operations of others we do business with. We have taken immediate measures to protect the health of our employees and members, including limiting density in warehouses and ceasing sales of certain categories of merchandise, requiring our office employees to work remotely where possible, increased compensation levels of certain employees and limiting all non-essential travel.

As a business supplying a wide variety of essential food and non-food items we saw a significant uplift in our sales of food and drinks, sundries, over the counter medicines and other health related products due to panic buying just before the lockdown measures were announced by the government. For a brief period after the lockdown our warehouse sales saw a material decline, especially sales of petrol, as members stayed away at home but since then overall sales have rebounded very strongly as the lockdown measures started easing. Loss of sales due to ceasing or limiting operations in our optical, hearing aid and café businesses, in order to implement the government's guidelines for social distancing, have been more than offset by an increase in sales in our core merchandise categories as well as a significant increase in our online sales. Our membership warehouse club business model, offering a wide selection of products and services with tremendous buying power, allows us to quickly react to changes in our members' behaviour and demand, such as what we have been experiencing as a result of the coronavirus pandemic.

The group's financial position continues to be very strong with high levels of liquidity and a loyal membership base. In our current financial period overall sales volume is up around 10% in our inline business and high double digit growth in our online business, driven by higher footfall and larger basket sizes with increased demands for food and drinks, outdoor, sporting, electronics, furniture, hardware and health related products as members and their families stay and work from home in line with government measures.

Due to the European Union referendum held during 2016 there is continued uncertainty surrounding the political and economic environment in the UK. The outcome and impact of future negotiations in relation to the UK's exit from the European Union remains uncertain, but the directors will continue to monitor any impact and react as appropriate.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should be identical to that of other employees.

Strategic Report (continued)

Employee Consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company newsletter. The importance the company places on looking after its employees is shown by a low employee turnover ratio of 4.2% (2018: 4.4%) for full time staff for the current period as well as an increase in productivity.

UK Home Office
Hartspring Lane
Watford
Hertfordshire
WD25 8JS

By order of the Board

Date: 24th August 2020.

Rajesh N Shah
Company Secretary

Directors' Report

for the 52 weeks ended 1st September 2019

The directors present their annual report on the affairs of the group together with the financial statements and auditor's report, for the 52 weeks ended 1st September 2019. Comparative figures are shown for the 52 weeks ended 2nd September 2018.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Principal Activities

Costco UK Holdings Limited is a wholly owned subsidiary of the ultimate parent company Costco Wholesale Corporation, which is registered and headquartered in the state of Washington, USA and is quoted on the NASDAQ Exchange. The group currently trades from 28 warehouses in the UK through its wholly owned subsidiary Costco Wholesale UK Limited (referred to as "Costco"), and an ecommerce business through Costco Online UK Limited, which commenced trading during 2012.

Costco operates cash & carry membership warehouse clubs based on the concept of offering members discounted prices on a limited selection of nationally branded and selected private label, high quality products in a wide range of merchandise categories which produce high sales volumes and rapid inventory turnover. This rapid inventory turnover, when combined with operating efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouse facilities, enables Costco to operate profitably at significantly lower gross margins than traditional wholesalers, discount retailers and supermarkets.

Costco's target market segments are small businesses and self-employed professionals which represent the bulk of the sales. Additionally, a selected group of individuals may also become members of the warehouse club. A typical Costco cash & carry warehouse is approximately 135,000 square feet. Floor plans are designed for economy and efficiency in the use of selling space, handling of merchandise and control of inventory.

Directors' Report (continued)

Principal Activities (continued)

Costco buys the majority of its merchandise directly from manufacturers for shipment either directly to Costco's selling warehouses or to a consolidation point ("depot") where various shipments are combined to minimise freight and handling costs. As a result, Costco eliminates many of the costs associated with multiple step distribution channels, which include:

- purchasing from distributors as opposed to manufacturers;
- use of central receiving, storing and distributing warehouses;
- storage of merchandise in locations off the sales floor.

By providing this more cost-effective means of distributing goods, Costco meets the needs of trade customers who otherwise would pay a premium for small purchases and for the distribution services of traditional wholesalers, and who cannot otherwise obtain the full range of their product requirements from any single source. This in turn assists our trade members in competing against the major retail multiples in their local market.

To minimise selling prices and cover some of the costs, Costco charges an annual membership fee of £22 plus VAT for trade members and £28 plus VAT for individuals. Costco also offers Executive Membership where members are entitled to a 2% reward on the majority of purchases. The annual Executive Membership fee is £56 plus VAT for trade members and £62 plus VAT for individuals.

Costco offers a co-branded True Earnings American Express credit card providing cash back rewards exclusively for Costco members. The addition of Costco True Earnings American Express credit card combined with our Executive Membership gives our members cash back rewards of up to 3% of their purchases at Costco, significantly enhancing the value of Costco Membership.

Costco Online UK Limited (referred to as "Costco Online") is run as a separate business to that of Costco Wholesale UK Limited. The majority of items listed online are complementary to the items sold in the Costco warehouses in the UK. Costco Online offers quality merchandise and services from a wide range of major brands, as well as own label Kirkland Signature items, at low prices inclusive of delivery, installation and disposals on select items, and with the normal Costco guarantees and warranties. This additional channel offers the members a complementary expanded selection of items, further adding value to their membership. It also enables customers that might otherwise not qualify for a warehouse membership to shop at Costco and further extends opportunities to businesses and individuals from communities that do not have a warehouse nearby.

Dividends

The directors do not recommend payment of a dividend for the period (2018 - £Nil).

Directors

The directors who served during the period were as follows:-
Richard Galanti
James P. Murphy

Land and buildings

Land and buildings are carried at historic cost less depreciation and in the opinion of the directors the market value is in excess of book value.

Charitable and Political Donations

The group made charitable donations totalling £159,227 (2018 - £174,778) during the period.

No political donations were made during the period (2018 - £Nil).

Directors' Report (continued)

Creditor days

The policy of the company is to agree terms of payment with suppliers prior to entering into a contractual relationship and ensure these terms are strictly honoured. In the absence of a specific agreement it is the policy of the company to pay suppliers on a monthly basis. Creditor days were days 27 (2018 – 26 days) based upon invoiced and un-invoiced merchandise purchases outstanding at the end of the period as a ratio of the total amount purchased during the period.

Derivative Financial Instruments

The group has limited involvement with derivative financial instruments and use them only to manage well-defined foreign exchange risks. In line with the approved group policy, foreign exchange contracts are used to hedge the impact of fluctuations of foreign exchange on inventory purchases. The group does not enter into speculative derivative contracts.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 – 5.

As highlighted in our Strategic Report, the directors have considered both the immediate effects of Covid 19 as well as medium term impact to the operations of the business, including cash flows and asset valuations. The company has seen a substantial increase in its sales, operating profits and cash flows in current financial period. Based on current trading conditions and also factoring in the financial impact of the future uncertainties, both positive and negative, arising from coronavirus pandemic on the operations of the business the directors anticipate that the business will maintain its profitability and strong positive cash flow over at least the next 12 months. The directors have regular access to the company's financial information, including cashflows and profit and loss statements, covering short to medium term timeframes.

The group has considerable financial resources and positive cash flows. As a consequence the directors believe that the group is well placed to manage its business risks successfully and meet all its financial obligations. The directors have a reasonable expectation that the group and the parent company have adequate resources to continue in operation for at least twelve months from the date of signing these financial statements and have therefore continued to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to a shareholder's resolution, the company is not obliged to reappoint its auditor annually and KPMG LLP will therefore continue in office.

UK Home Office
Hartspring Lane
Watford
Hertfordshire
WD25 8JS

By order of the Board

Date: 24th August 2020.

Rajesh N Shah
Company Secretary

Independent auditor's report to the members of Costco UK Holdings Limited

Opinion

We have audited the financial statements of Costco UK Holdings Limited ("the company") for the 52 weeks period ended 1 September 2019 which comprise the consolidated profit and loss account and other comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 1 September 2019 and of the group's profit for the 52 week period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Costco UK Holdings Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 25th August 2020

Consolidated Profit and Loss Account and Other Comprehensive Income

for the 52 weeks ended 1st September 2019

	Note	2019 £'000	2018 £'000
Turnover	2	2,705,156	2,613,130
Cost of sales		(2,627,133)	(2,542,316)
Gross profit		78,023	70,814
Other operating expenses	3	(60,584)	(58,492)
Operating profit		17,439	12,322
Interest payable and similar charges	4	(4,842)	(1,474)
Other interest receivable and similar income	4	7,185	7,593
Profit on ordinary activities before taxation		19,782	18,441
Tax on profit on ordinary activities	7	(6,967)	(4,654)
Profit for financial period		12,815	13,787
Other Comprehensive Income for the period	18	17,961	15,985
Total Comprehensive Income for the period		30,776	29,772

The movement in reserves is shown in the Consolidated Statement of Changes in Equity.

All operations of the group continued throughout both periods and no operations were acquired or discontinued during either financial period.

The accompanying notes on pages 16 to 33 are an integral part of this consolidated profit and loss account.

Consolidated Balance Sheet

At 1st September 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	8	2,825	-
Tangible assets	9	510,411	495,423
		513,236	495,423
Current assets			
Stocks	11	276,130	267,099
Debtors	12	45,669	44,335
Investments	13	10,000	10,000
Cash at bank and in hand		151,755	121,376
		483,554	442,810
Creditors: Amounts falling due within one year	14	(337,614)	(310,837)
Net current assets		145,940	131,973
Total assets less current liabilities		659,176	627,396
Provisions for liabilities and charges	16	(7,997)	(6,993)
Net assets		651,179	620,403
Capital and reserves			
Called-up share capital	17	14	14
Share premium account	18	286,176	286,176
Capital reserve	18	67,900	67,900
Profit and loss account	18	297,089	266,313
Shareholder's funds		651,179	620,403

These financial statements were approved by the Board of directors and signed on its behalf by:

James P. Murphy
Director

Date: 24th August 2020.

The accompanying notes on pages 16 to 33 are an integral part of this consolidated balance sheet.

Company Balance Sheet

At 1st September 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	10	324,131	299,131
Creditors: Amounts falling due within one year	14	(794)	(794)
Net current liabilities		(794)	(794)
Net assets		323,337	298,337
Capital and reserves			
Called-up share capital	17	14	14
Share premium account	18	286,176	286,176
Capital reserve	18	67,900	67,900
Profit and loss account	18	(30,753)	(55,753)
Shareholder's funds		323,337	298,337

These financial statements were approved by the Board of Directors and signed on its behalf by:

James P. Murphy
Director

James P. Murphy

Date: 24th August 2020.

The accompanying notes on pages 16 to 33 are an integral part of this balance sheet.

Consolidated Statement of Changes in Equity

Group

	Called-up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 3rd September 2017	14	286,176	67,900	236,541	590,631
Total comprehensive income for the period					
Profit for the financial period	-	-	-	13,787	13,787
Share based payment	-	-	-	15,985	15,985
Balance at 2nd September 2018	14	286,176	67,900	266,313	620,403
Balance at 2nd September 2018	14	286,176	67,900	266,313	620,403
Total comprehensive income for the period					
Profit for the financial period	-	-	-	12,815	12,815
Share based payment	-	-	-	17,961	17,961
Balance at 1st September 2019	14	286,176	67,900	297,089	651,179

Company Statement of Changes In Equity

Company

	Called-up share capital £'000	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 3rd September 2017 and 2nd September 2018	14	286,176	67,900	(55,753)	298,337
Balance at 2nd September 2018	14	286,176	67,900	(55,753)	298,337
Total comprehensive income for the period					
Profit for the financial period	-	-	-	-	-
Dividend received	-	-	-	25,000	25,000
Balance at 1st September 2019	14	286,176	67,900	(30,753)	323,337

Consolidated Cash Flow Statement

for the 52 weeks ended 1st September 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the year	12,815	13,787
Adjustments for:		
Taxation	6,967	4,654
Interest payable and similar charges	4,842	1,474
Interest receivable and similar income	(7,185)	(7,593)
Foreign exchange revaluations	(4,567)	(515)
Depreciation and amortisation	24,425	23,433
Loss on sale of tangible fixed assets	166	410
Share based payments charge	17,961	15,985
	55,424	51,635
Increase in stocks	(9,031)	(25,203)
Increase/(decrease) in trade and other debtors	(2,187)	7,352
Increase in trade and other creditors	25,480	13,393
Increase in provisions	170	277
	69,856	47,454
Interest paid	(9)	(5)
Tax paid	(4,952)	(3,071)
Net cash from operating activities	**64,895**	**44,378**
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	57	38
Acquisition of tangible and intangible fixed assets	(40,393)	(18,510)
Interest received	1,161	482
Foreign exchange gain	4,714	-
Net cash from investing activities	**(34,461)**	**(17,990)**
Cash flows from financing activities		
Finance leases	(55)	(130)
Net cash from financing activities	**(55)**	**(130)**
Net increase in cash and cash equivalents	30,379	26,258
Cash and cash equivalents at beginning of period	121,376	95,118
Cash and cash equivalents at end of period	**151,755**	**121,376**

The accompanying notes on pages 16 to 33 are an integral part of this consolidated cash flow statement.

Notes to the Financial Statements

for the 52 weeks ended 1st September 2019

1. Accounting policies

Costco UK Holdings Limited (the "Company") is a company limited by shares and registered in England and Wales.

The principal accounting policies are summarised below. The accounting period covers the 52 weeks ended 1st September 2019. Comparative figures are shown for the 52 weeks ended 2nd September 2018.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.26 Share Based Payments.
- 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

a) Basis of preparation

The Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in March 2018. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000. The financial statements are prepared on the historical cost basis.

b) Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.
Since the outbreak of the global pandemic Covid-19, the directors have prepared cash flow forecasts for a period of twelve months incorporating the expected impact of Covid-19 on the group which indicate that, even when considering the severe but plausible downsides, the company and group will have sufficient funds to meet its liabilities as they fall due.

Both at 1st September 2019 and throughout the period since, the group has considerable financial resources and positive cash flow, and as a consequence the directors believe that the group is well placed to manage its business risks successfully and meet all its financial obligations for at least twelve months from the date of signing these financial statements and have therefore, continued to adopt the going concern basis of accounting in preparing the financial statements.

In respect of severe but plausible downside, the director have modelled the impact of a possible second lockdown, which includes reductions in sales of petrol as well as a continued reduction in sales from operations in our optical, hearing aid and café businesses, consistent with what the group saw during the initial lockdown and since March 2020. However, the directors are confident that, even when considering these downside scenarios, the group's financial position continues to be strong with the forecasts showing continued profitability and high levels of liquidity. The group does not have any external debtor covenants.

The group has seen a substantial increase in sales, operating profits and cash flow since 1st September 2019. Based on current trading conditions and also factoring in the financial impact of the future uncertainties, both positive and negative, arising from coronavirus pandemic on the operations of the business the directors anticipate that the group will maintain its profitability and strong positive cash flow and therefore the company and group will have sufficient funds to continue to meet its liabilities as they fall due for at least the next twelve months from the date of approval of the financial statements and therefore, continued to adopt the going concern basis of accounting in preparing the financial statements.

1. Accounting policies (continued)

c) Basis of consolidation

The group financial statements consolidate the financial statements of Costco UK Holdings Limited and its subsidiary undertakings drawn up to 2nd September 2018. The results of subsidiaries acquired or sold in the period are consolidated from the date of acquisition to the date of disposal. Acquisitions are accounted for under the acquisition method.

No profit and loss account is presented for Costco UK Holdings Limited itself as the exemption in section 408 of the Companies Act 2006 applies.

d) Significant judgements and estimates

The preparation of the consolidated group financial statements requires management to make judgements, estimates and assumptions in applying the group's accounting policies. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates applied prospectively.

Key estimates made by the directors, that could have a significant effect on the financial statements are deemed to be warranty and self-insurance provisions, which are covered in note 16 Provisions for liabilities and charges. In addition, management estimate a sales return reserve based on historical trends and data to defer income on a proportion of the sales to cover the cost of expected refunds to customers.

e) Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account. Transactions in foreign currency are recorded at the rate of exchange on the date of the transactions or, if hedged, at the forward contract rate.

f) Basic financial instruments

Trade and other debtors/creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

g) Other financial instruments

Derivative financial instruments
Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

The group enters into forward foreign exchange contracts to meet future liabilities in currencies other than sterling.

1. Accounting policies (continued)

h) Intangible Fixed Assets

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight line basis over its expected useful life, as follows:

Software Licences	3-5 years

i) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets other than freehold land and assets in the course of construction, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold and long leasehold buildings	15-50 years
Fixtures, fittings, tools and equipment	3-8 years

Depreciation is not provided on long leasehold land unless in the opinion of the directors the amount is material, in which case the cost of leasehold land is written off over the term of the lease.

Assets under construction consist of costs associated with the construction of new warehouses, extensions to existing warehouses and expenditure incurred in locating suitable new sites when there are reasonable prospects of obtaining planning permission for warehouse club developments. These assets will only be depreciated once they are brought into use.

j) Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are held as available for sale.

k) Stocks

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

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

l) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation 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 or a right to pay less tax in the future have occurred at the balance sheet date, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted.

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

1. Accounting policies (continued)

m) Pension costs

The group operates a funded defined contribution personal pension scheme. The scheme is open to all employees. The group matches employee contributions up to 5% of salary in the first year of service and up to 7.5% of salary after one year's service. The assets of the scheme are held independently of the group assets by the pension provider.

The amount charged to the profit and loss account represents the contributions payable by the group in the period.

n) Turnover

Group turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services, mainly memberships, provided in the normal course of business. The group generally recognises sales, net of estimated returns and discounts, at the time the member takes possession of merchandise or receives service. When the group collects payments from members prior to the transfer of ownership of merchandise or the performance of services, the amounts received are recorded as deferred revenue until the sale or service is completed. The group provides for estimated sales returns based on historical merchandise returns levels.

Group turnover includes sales from UK warehouses to customers who are based outside of the UK. Ownership of merchandise transfers at the point that the goods leave the warehouse. An analysis of turnover by customer location is provided in note 2.

Group turnover also includes annual membership fees paid by substantially all of the group's members and accounted for on a deferred basis, whereby membership fee revenue is recognised rateably over one year starting from each member's specific renewal date.

o) Leases

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit or loss over the term of the lease as an integral part of the total lease expense.

Finance lease
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

p) Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on leases recognised in profit or loss using the effective interest method and net foreign exchange losses that are recognised in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1. Accounting policies (continued)

q) Pre-opening expenditure

Pre-opening expenditure relating to new warehouses is expensed as incurred.

r) Capitalised interest

Borrowing costs are capitalised on major construction projects using the weighted average cost of borrowings utilised. Capitalisation of borrowing costs commences when the construction begins, and ends when the construction is complete and the facility is ready to use.

s) Share based payments

Certain non-employee directors and other employees of the group are granted Restricted Stock Units (RSUs) by the ultimate parent company under its Amended and Restated 2002 Stock Incentive Plan. The fair value of the RSUs granted after 7 November 2002 but not yet vested is recognised as staff costs with a related increase in equity. The fair value is measured at grant date and charged to profit and loss account rateably over the related vesting period.

t) Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2. Turnover

	2019 £'000	2018 £'000
Turnover by destination		
UK	2,637,311	2,533,628
Rest of European Union	24,948	25,866
Other	42,897	53,636
	2,705,156	2,613,130

All turnover arose through warehouse club and ecommerce operations in the UK. Turnover to destinations outside of the UK arose from business customers based outside of the UK who ordered goods and arranged to collect those goods from UK warehouses.

3. Other operating expenses

	2019 £'000	2018 £'000
Share based payments (note 24)	17,961	15,985
Administrative expenses	42,623	41,046
Net loss on write off of construction in progress	-	1,461
	60,584	58,492

In the financial period 2018 the group cancelled a project to develop a site intended for the construction of a new warehouse club. The group paid £700,000 to exit a contract to purchase the site and wrote off a further £761,000 of development costs incurred. The group intends to continue its focus on serving existing members in its current trading locations.

4. Finance (charges)/income

	2019 £'000	2018 £'000
Interest payable and similar charges		
Finance charges payable under finance leases	(9)	(5)
Net loss on financial liabilities measured at fair value through profit or loss	(266)	(954)
Net loss on assets and liabilities measured at fair value	(4,567)	(515)
	(4,842)	(1,474)
Other interest receivable and similar income		
Interest receivable on financial assets at amortised cost	1,161	535
Net gain on financial liabilities measured at fair value through profit or loss	6,024	7,058
	7,185	7,593

5. Expenses and auditor's remuneration

Included in profit are the following:

	2019 £'000	2018 £'000
Amortisation of owned intangible fixed assets	248	504
Amortisation of Reclassification from tangibles	115	-
Depreciation of owned tangible fixed assets	23,916	22,746
Depreciation of assets held under finance lease	261	184
Audit of these financial statements	1	1
Amounts receivable by auditor and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	113	110
- Other services – quarterly reviews	22	17
- Other services relating to taxation	73	35

6. **Staff costs**

The average monthly number of persons employed by the group during the period was as follows:

	2019 Number employed	2018 Number employed
Operations	6,781	6,474
Merchandising	160	159
Administration	217	182
	7,158	6,815

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries including share based payments	205,146	192,751
Social security costs	16,733	15,671
Other pension costs (note 20c)	8,825	6,151
	230,704	214,573

There were no employees other than directors in the company.

Directors' remuneration:

During the period, no director was remunerated through the company (2018 - £Nil). The notional cost of directors not remunerated through the company has been considered and is not deemed to be significant for the period ended 1st September 2019 nor for the period ended 2nd September 2018.

7. Taxation

a) Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2019 £'000	2018 £'000
UK Corporation Tax at 19% (2018 – 19%)		
Current tax on income for the period	4,746	5,240
Adjustments in respect of prior periods	(541)	134
Total current tax	4,205	5,374
Deferred tax credit (note 16)	2,762	(720)
Tax on profit on ordinary activities	6,967	4,654

b) Reconciliation of effective tax rate

The tax assessed for the period is different to the standard UK corporation tax rate of 19% .The differences are explained below:

	2019 £'000	2018 £'000
Profit for the period	12,815	13,787
Total tax expense	6,967	4,654
Profit excluding taxation	19,782	18,441
Current tax at 19% (2018 – 19%)	3,759	3,504
Effects of:		
Capital allowances less than depreciation	393	96
Expenses not deductible for tax purposes	3,234	1,374
Other timing differences	122	(453)
Adjustments in respect of prior periods	(541)	133
Total tax expense included in profit	6,967	4,654

c) Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate from 19% to 17% (effective 1st April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 1st September 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1st April 2020, and this change was substantively enacted on 17th March 2020. This charge is unlikely to have a material impact on the company's tax charge or deferred tax balances in the future.

8. Intangible fixed assets

Group	Goodwill £'000	Software Licence £'000	Total £'000
Cost			
Beginning and end of period	7,633	714	8,347
Additions	-	1,070	1,070
Reclassification from tangibles	-	2,118	2,118
End of period	7,633	3,902	11,535
Amortisation			
Beginning of period	7,633	714	8,347
Reclassification from tangibles	-	115	115
Charge for the period	-	248	248
End of period	7,633	1,077	8,710
Net book value			
Beginning of period	-	-	-
End of period	-	2,825	2,825

9. Tangible fixed assets

Group	Long Leasehold Land & Buildings £'000	Freehold Land & Buildings £'000	Fixtures, Fittings, Tools & Equip. £'000	Assets in course of construction £'000	Total £'000
Cost					
Beginning of period	74,434	525,881	113,507	3,423	717,245
Additions	885	4,980	12,669	22,857	41,391
Reclassification to intangibles	-	-	(2,118)	-	(2,118)
Disposals	-	(31)	(4,921)	(16)	(4,968)
Transfers	1,722	23,709	541	(25,972)	-
End of period	77,041	554,539	119,678	292	751,550
Depreciation					
Beginning of period	16,901	127,202	77,719	-	221,822
Charge for the period	1,919	10,594	11,664	-	24,177
Reclassification to intangibles	-	-	(115)	-	(115)
Disposals	-	(25)	(4,720)	-	(4,745)
End of period	18,820	137,771	84,548	-	241,139
Net book value					
Beginning of period	57,533	398,679	35,788	3,423	495,423
End of period	58,221	416,768	35,130	292	510,411

9. Tangible fixed assets (continued)

At 1st September 2019 the net carrying amount of Fixtures, Fittings, Tools & Equipment leased under a finance lease was £124,363 (2018: £201,000). The leased equipment acts as security for the lease obligations (see note 20).

Freehold land amounting to £212,304,000 (2018 - £212,304,000) and long leasehold land amounting to £13,736,000 (2018 - £13,736,000) have not been depreciated.

No interest was capitalised on freehold and leasehold developments during the current or prior period. The cumulative amount of interest capitalised in the total cost above amounts to £2,182,000 (2018 - £2,182,000).

There were no tangible fixed assets held in the company.

10. Fixed asset investments

a) Investments in group undertakings

The undertakings in which the company's interest at the period end is more than 20% are as follows:

	Principal activity	Holding in ordinary share capital	
		Group	Company
Costco Wholesale UK Limited	Warehouse club	100%	100%
Costco Limited	Property	100%	-
Alcalay Limited	Dormant	100%	-
Submitselect Limited	Dormant	100%	-
Costco Online UK Limited	Ecommerce	100%	100%
Crick Management Company Limited	Estate Management	80%	-

All of the above undertakings are incorporated in Great Britain and registered at UK Home Office, Hartspring Lane, Watford, Hertfordshire, WD25 8JS.

b) Shares in group undertakings

	Company 2019 £'000	Company 2018 £'000
Cost		
Beginning of period	299,131	299,131
Additions	25,000	-
End of period	324,131	299,131
Net book value		
Beginning of period	299,131	299,131
End of period	324,131	299,131

During the period the company increased its investment in Costco Online UK Limited through a purchase of 25,000,000 ordinary shares at the value of £25,000,000.

11. Stocks

	Group 2019 £'000	Group 2018 £'000
Goods held for resale	276,130	267,099

There were no stocks held in the company.

Stocks are shown after provisions for impairment of £1,250,000 (2018:£724,000)

12. Debtors

Amounts falling due within one year	Group 2019 £'000	Group 2018 £'000
Trade debtors	25,358	23,421
Amounts owed by group undertakings	6,336	6,645
Other debtors	-	83
Assets measured at fair value through profit or loss	6,024	4,972
Deferred tax asset	4,230	6,158
Prepayments and accrued income	3,721	3,056
	45,669	44,335

Debtors in the group include prepayments and accrued income of £ 1,797 (2018: £30,000) due after more than one year.

There were no debtors in the company.

13. Current asset investments

	Group 2019 £'000	Group 2018 £'000
Short term bank deposits	10,000	10,000

There were no current asset investments in the company.

14. Creditors: Amounts falling due within one year

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	155,800	149,568	-	-
Amounts owed to group undertakings	6,675	5,883	794	794
Other taxes and social security costs	21,100	14,966	-	-
Corporation tax	2,914	3,661		
Other creditors	12,183	11,625	-	-
Liabilities measured at fair value through profit or loss	266	234	-	-
Lease creditor (see note 21)	-	55	-	-
Accruals and deferred income	138,676	124,845	-	-
	337,614	310,837	794	794

Amounts owed to group undertakings are non-interest bearing except insofar as they relate to the loan and royalty fees paid later than the due date stipulated in the shareholder agreement.

During the period the group and the company had in place an uncommitted money market line of £20,000,000 and an overdraft limit of £30,000,000 with its principal bankers HSBC Bank plc. At 1st September 2019 £Nil (2018: £Nil) was drawn and due within one year.

15. Creditors: Amounts falling due after more than one year

	Group	
	2019 £'000	2018 £'000
Lease creditor (see note 21)	-	-

There were no lease creditors in the company.

16. Provision for liabilities and charges

a) Provisions

	Group	
	2019 £'000	2018 £'000
Deferred tax (note 16b)	3,754	2,920
Self-insurance and warranty costs (note 16c)	4,243	4,073
	7,997	6,993

16. Provision for liabilities and charges (continued)

b) Deferred tax

	Group	
	2019 £'000	2018 £'000
Beginning of period	(3,238)	(2,518)
Credit for period	2,762	(720)
End of period	(476)	(3,238)

Deferred tax provision is made in respect of the following timing differences:		
Fixed asset timing differences	2,921	2,167
Other timing differences	(3,397)	(5,405)
	(476)	(3,238)
Deferred tax asset (note 12)	(4,230)	(6,158)
Deferred tax liability	3,754	2,920
	(476)	(3,238)

c) Self-insurance and warranty costs

	Group	
	2019 £'000	2018 £'000
Beginning of period	4,073	3,796
Charge for the period	1,026	1,217
Utilised	(856)	(940)
End of period	4,243	4,073

The group provides repair warranty, ranging from two to five years, on selected categories of electronic merchandise. The provision for warranty costs is based on the anticipated failure rate of merchandise sold eligible for repair under the warranty.

The group also carries a provision for self-insurance covering the deductible amounts associated with general liability as well as employer's liability claims. These amounts are estimated by considering historical claims experience, evaluation of outside expertise and other actuarial assumptions.

There were no provisions and charges in the company.

17. Called-up share capital

	2019 £'000	2018 £'000
Allotted, called-up and fully paid		
13,966 (2018 – 13,966) Ordinary shares of £1 each	14	14

During the period there were no Ordinary shares issued.

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18. Reserves

	Share Premium Account £'000	Capital Reserve £'000	Profit & Loss Account £'000
Group			
Beginning of period	286,176	67,900	266,313
Profit for the period	-	-	12,815
Share based payment	-	-	17,961
End of period	286,176	67,900	297,089
Company			
Beginning of period	286,176	67,900	(55,753)
Dividend received	-	-	25,000
End of period	286,176	67,900	(30,753)

Capital reserve consists of non-distributable capital contributions.

At 1st September 2019 the cumulative goodwill written off against profit and loss account reserve for businesses acquired prior to 3rd September 1995 was £535,000 (2018 - £535,000).

19. Financial instruments

a) Carrying amount of financial instruments

The carrying amounts of the financial liabilities include:

	2019	2018
	£'000	£'000
Liabilities measured at fair value through profit or loss	(266)	(234)

b) Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market prices, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

20. Guarantees and other financial commitments

a) Capital commitments

At the end of the period capital commitments were:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Contracted for but not provided for	3,702	2,231	-	-

In addition the group had contractual commitments totalling £2,000,000 (2018 - £16,550,000) in respect of sites which were under purchase contract subject to either obtaining satisfactory planning permission for construction of a warehouse club or works to be completed on the site by the current land owner.

20. Guarantees and other financial commitments (continued)

b) Lease commitments

Annual commitments under non-cancellable operating leases	Group Land & Buildings £'000	Group Other £'000
2019		
Operating leases which expire		
- within 1-2 years	-	11
- within 2–5 years	-	16
- after 5 years	126,989	-
	126,989	27
2018		
Operating leases which expire		
- within 1-2 years	-	4
- within 2–5 years	-	21
- after 5 years	133,869	-
	133,869	25

There were no lease commitments in the company.

Leases of land and buildings are subject to rent reviews at specific intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

c) Pension arrangements

The group operates a defined contribution scheme where it matches employee contributions up to 5% of salary in the first year of service and up to 7.5% of salary after one year's service.

The pension cost charge representing contributions payable by the group to the scheme for the period was £8,825,450 (2018 - £6,151,000). At the end of the period there was £1,784,304 (2018 - £743,260) accrued.

21. Obligations under leases and hire purchase contracts

The group uses finance leases and hire purchase contracts to acquire plant and machinery. Future minimum lease payments due under finance leases and hire purchase contracts are:

Group	2019 £'000	2018 £'000
Amounts payable:		
- within 1 year	-	77
	-	77

22. Related party transactions

The company is controlled by Costco US Holdings Inc., the immediate parent undertaking, which controls 100% of the company's voting rights. The ultimate controlling party is Costco Wholesale Corporation.

As 100% of the company's voting rights are controlled within the group headed by Costco Wholesale Corporation, the company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Costco Wholesale Corporation.

The group owns 80% of Crick Management Company Limited.

Costs relating to the period of £50,284 were recharged to Costco Wholesale UK Limited during the period. At the period end £1,360 was due from Costco Wholesale UK Limited.

Cost relating to the period of £12,369 were recharged to Segro (Crick) Limited during the period. At the period end £65 was owed by Segro (Crick) Limited to the company.

Total compensation of key management personnel, including the directors, is as follows:

	2019 £'000	2018 £'000
Key management emoluments including social security costs	2,224	2,363
Company contribution to money purchase pension plans	110	110
	2,334	2,473

23. Ultimate parent company

The immediate parent company is Costco US Holdings Inc., a company incorporated in the United States of America.

The ultimate parent company and controlling party is Costco Wholesale Corporation, a company incorporated in the United States of America, which is the parent undertaking of the smallest and the largest group to consolidate these financial statements. No other group financial statements include the results of the company. Copies of Costco Wholesale Corporation consolidated financial statements are available to the public and can be obtained from 999 Lake Drive, Issaquah, WA 98027, U.S.A.

24. Share based payments

During the period the group's parent company, Costco Wholesale Corporation ('the Parent') maintained share based payment plans for certain employees and non-employee directors of that company and other group companies, including Costco Wholesale UK Limited.

Since the fourth quarter of the accounting period ended 2nd September 2007 Restricted Stock Units (RSUs) have been granted under the Amended and Restated 2002 Stock Incentive Plan and predecessor plans. Stock options and RSUs generally vest over five years with an equal amount vesting on each anniversary of the grant date.

12,698 RSUs were adjusted. These adjustments did not result in additional stock-based compensation expense, as the fair value of the outstanding awards did not change.

a) Share Options

There were no share options outstanding or exercised during the prior or current period.

b) Restricted Stock Units

Details of RSUs outstanding during the period are as follows:

	2019		2018	
	Weighted Average Exercise Fair Value £	Number	Weighted Average Exercise Fair Value £	Number
Outstanding at the beginning of the period	105.15	412,149	94.21	414,872
Granted	170.29	110,200	116.38	157,720
Dividend adjustment	-	-	-	-
Forfeited or lapsed	129.39	(7,482)	107.76	(13,925)
Exercised	103.48	(165,579)	86.02	(146,518)
Outstanding at the end of the period	125.97	349,288	105.15	412,149

The weighted average share price at the date of exercise for RSUs exercised during the period was £172.59 (2018 - £121.81). The weighted average fair value of RSUs granted to date is £68.93 The fair value of RSUs is the quoted market value of the Parent company's common share on the date of grant less the present value of the expected dividends forgone during the vesting period.

25. Post Balance Sheet event

Subsequent to the balance sheet date, the UK's economic outlook has deteriorated as a consequence of the Covid-19 pandemic and measures taken by the government to control the spread of the virus. A significant recession is expected, with increases in unemployment, possibly impacting our sales. The impact of this will be partially mitigated by UK government actions such as subsidies, grants and financing support for businesses. Whilst at this point it is not possible to estimate the financial effect of this event in the medium term, our financial performance during the current financial period has been very strong.