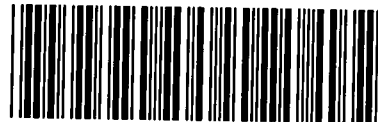


COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 30 AUGUST 2020
Company Registration No. 03934833 (England and Wales)

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COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS COMPANY INFORMATION

Directors	R Galanti J P Murphy
Secretary	R N Shah
Company number	03934833
Registered office	UK Home Office Hartspring Lane Watford Hertford UK WD25 8JS
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Business address	UK Home Office Hartspring Lane Watford Hertford UK WD25 8JS

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS CONTENTS

	Page
Strategic report	1 - 6
Directors' report	7 - 9
Independent auditor's report	10 - 11
Group statement of comprehensive income	12
Group balance sheet	14
Company balance sheet	14
Group statement of changes in equity	15
Company statement of changes in equity	16
Group statement of cash flows	17
Notes to the financial statements	18 - 37

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS STRATEGIC REPORT

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

Strategic review

The focus of Costco UK Holdings Limited (Costco) strategy continues to be 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 whilst building synergy between the two complimentary businesses and leveraging buying power.

Results including key trends and factors affecting performance

Turnover for the period increased 15.7% to £3,129.8m (2019 : £2,705.2m) particularly helped by strong growth in sales during the second half of our financial period which was impacted by the pandemic related demand, as our business and our members quickly adapted to the Government restrictions and lockdowns.

As the coronavirus pandemic swept the globe and crippled much of the world's economy, Costco remained open as part of the critical national infrastructure providing food and other essential items, a responsibility we took seriously. In a time of uncertainty and panic purchasing by members, we continued to maintain adequate supplies of necessities, including food, cleaning products, and personal care items. We targeted our efforts on these in-demand items, installed protective barriers at the tills, increased our sanitation at high-touch areas, established social distancing protocols and face covering policies, created special operating hours for high-risk individuals and staffs of the front line services. Certain of our ancillary businesses were temporarily closed, and our café business was restricted to take away only.

The key drivers of sales growth for the period were our core food and sundries departments with groceries, sundries, beers & wine and fresh foods being particularly strong. Other departments showing significant percentage increases this period were health and beauty, electronics, outdoor and hardware. Our ecommerce business particularly benefited from a successful and timely launch of grocery delivery business in March 2020 and also saw a huge increase in other merchandise categories as our customers obeyed 'stay at home' orders and reduced their frequency of visits to our warehouses and other bricks and mortar retailers.

Our core 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. 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. Our petrol business also saw a reduction in sales as our members made fewer car journeys and stayed at home.

Membership sales remained strong, showing good member loyalty and satisfaction resulting in high renewal rates. Membership sales were also boosted by the recently opened of petrol stations as potential members see the benefit from a combined value of our competitive petrol prices and purchase of quality merchandise from our warehouses.

Despite the impact of the pandemic on our sales of petrol we continue to implement our strategy of opening more petrol stations. During the period we opened a new petrol filling station at our Coventry warehouse. This brought the total number of petrol filling stations to seventeen by the end of the period. The opening of petrol filling stations helps to increase shopping frequency and additional membership sign ups, resulting in sales increases year on year in a number of departments, with food departments particularly benefiting from the extra visits made by members.

In line with 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 an 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 adverse exchange rate fluctuations, increases in freight costs and the

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS STRATEGIC REPORT (CONTINUED)

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

costs of 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.

Gross profit increased 40.5% to £109.6m (2019: £78.0m). This was achieved through higher productivity and leveraging of expenses arising from increase in average sales basket and improved inventory and category management resulting in lower levels of markdowns. We continued to maintain our focus on delivering value to our members on key trade commodity items through timely and efficient procurement, higher operating standards and services whilst continuing to improve quality of our merchandise. An increase in gross profit during the period also reflects continued growth at our newer locations and locations with petrol filling stations as well as successful turnarounds at some of the historically underperforming locations. The group also benefited from further investment in and upgrade of our ecommerce platform which resulted in higher visits and conversion leading to a strong growth in sales and profits of that business.

The operating profit increased 94.2% to £33.8m (2019: £17.4m) helped by an increase in gross profit as well as continued focus on achieving higher operational efficiencies, investing in our ecommerce platform with a successful launch of online grocery delivery. The profit before tax increased from £19.8m to £22.9m impacted partly from a mark to market loss on foreign currency forward contracts held at the end of the period.

Key performance indicators

<u>Financial KPIs</u>	2020	2019
Total turnover growth	15.7%	3.5%
Gross Margin *	3.5%	2.9%
Expenses Ratio *	2.4%	2.2%
Operating Profit *	1.1%	0.6%
Profit before tax *	0.7%	0.7%
Stock turnover	9.8	8.4
Operating Cashflow (£'000)	130,716	76,523

* shown as percentage of total turnover

Non - Financial KPIs

For operational reasons we also use the following non financial key performance indicators:

Membership sign ups and renewal rate
Productivity
Staff turnover
Health and safety incidents
On time payment to suppliers

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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
STRATEGIC REPORT (CONTINUED)**

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

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.

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 designed 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

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS STRATEGIC REPORT (CONTINUED)

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

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 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 regularly to seek to 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.

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, namely 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 course s of action to mitigate.

Outlook

The main focus of our strategy is to continue to offer high quality merchandise and services at low prices, growing our business profitably through the existing warehouses, with the addition of a petrol filling station at the majority of our locations, increase our membership base and further develop and successfully grow our online channel.

The company's financial position continues to be very strong with high levels of liquidity, increases in like for like sales driven by the recognition of value that we bring to our loyal membership base. In our current financial period overall sales volume is up around 20% driven by larger basket sizes with increased demands for food and drinks, sundries, health and beauty, outdoor, electronics and hardware categories driven by the Government measures over pandemic, including working from home and closure of certain parts of the economy.

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 stated above. 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' behavior and demand, such as what we have been experiencing as a result of the coronavirus pandemic. Our ecommerce business, with its expanded selection of items and convenience of delivery service, is particularly relevant under the pandemic related Government restrictions and is complementing our warehouse club business very well.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
STRATEGIC REPORT (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

Section 172 statement

Costco UK Holdings Limited and its principal group undertakings (the 'Group') are ultimately owned by Costco Wholesale Corporation, (the 'Costco Wholesale') a company incorporated in the United States of America, and therefore is subject to and abides by all the Costco Wholesale's policies and procedures.

The directors' of the Group must act in accordance with their duties under section 172 of the UK Companies Act 2006, including a duty to promote the success of the company for the benefit of its shareholders as a whole.

The directors statement in relation to their responsibilities over sustainability and environmental impact is included on page 35.

Our Governance Framework is built around a set of guiding principles based upon Costco Wholesale's Code of Ethics which underlies our culture, value and how we conduct with all our stakeholders. The directors of the Group use these guiding principles in their day to day decision making and in implementing our corporate strategy. The following paragraphs describe the five elements of our Code of Ethics and how the directors have fulfilled their duties during the period.

a) Obey the Law

We must conduct our business in total compliance with the laws of every community in which we do business. Our internal policies and procedures incorporate such laws in our day to day operations. Regular monitoring and compliance audits are conducted to support such policies and procedure and prompt action is taken by directors over any deficiencies.

All employees, directors and officers are expected to promptly report both actual and suspected violations of the law or our Code of Ethics via Ethics Point, our confidential reporting tool which can also be used by our suppliers.

b) Take care of our members

Our members are our customers who pay a membership fee to shop at Costco. We strive to provide top quality merchandise and service at the best possible prices in the market. We welcome our members as guests in our business by providing a safe and pleasant shopping environment. We regularly engage with our members via various channels, such as, marketing literature, our website, the Costco Connection magazine and through member feedback via our warehouses.

c) Take care of our employees

Our employees are our most important asset. We believe we have the very best employees in the warehouse club industry, and we are committed to providing them with the most competitive pay rates in the industry, offering rewarding challenges and providing ample opportunities for personal career growth. Our employee agreement represents a strong commitment to fairness, consistency and open lines of communication with all employees. Directors, supported by the human resources department, regularly meet to discuss and monitor adherence to all aspects of the employee agreement. Further detail about employee engagement is included under the Employee consultation section of this report.

d) Respect our suppliers

Our suppliers are our partners in business and in order for us to prosper as a company, they need to prosper with us. We have procedures in place to ensure we honour all our commitments to suppliers and conduct our business in an honest and ethical manner, including paying them on time and resolving supply chain issues at an appropriate level of management.

e) Reward our Shareholders

Our ultimate parent company, Costco Wholesale Corporation, is a NASDAQ listed company. We strongly believe that if we follow the four principles of our Code of Ethics throughout the organisation, then Costco will be a successful company that rewards its shareholders with rising and sustainable income.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
STRATEGIC REPORT (CONTINUED)**

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

Sustainability, energy and carbon emission

We continue to address sustainability in our supply chains through our global group initiatives. We support good land stewardship practices that include: avoiding deforestation and conversion of natural ecosystems; sourcing products from responsibly managed and certified forests; and through various initiatives for recycling waste generated from our business. Where possible, we aim to reduce our food waste by donating excess unsold perishable items to food charities and by better managing our fresh food inventory. Through these efforts and others, we seek to protect valuable natural resources and reduce our environmental impact.

Our streamlined energy and carbon emission report is included in note 36.

Disabled employee

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.

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 3.4% (2019: 4.2%) for full time staff for the current period as well as an increase in productivity in most aspects of the business.

By order of the board



R N Shah
Secretary

UK Home Office
Hartspring Lane
Watford
Hertfordshire
WD25 8JS

Date: 28th May 2021

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 30 AUGUST 2020

The directors present their annual report and financial statements for the 52 weeks ended 30 August 2020. Comparative figures are shown for the 52 weeks ended 1 September 2019.

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 29 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.

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.

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 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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
DIRECTORS' REPORT (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

Directors

The directors who held office during the 52 weeks and up to the date of signature of the financial statements were as follows:

R Galanti
J P Murphy

Results and dividends

The directors do not recommend payment of a dividend for the period (2019:£Nil).

Land and buildings

Land and buildings are carried at historic cost less depreciation and in the opinion of the directors the market

Charitable and Political Donations

The group made charitable donations totaling £ 201,213 (2019 : £159,227) during the period.

No political donations were made during the period (2019 : £Nil).

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 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.

Auditor

In accordance with the company's articles, a resolution proposing that KPMG LLP be reappointed as auditor of the group will be put at a General Meeting.

Creditors 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 honored. 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 29 days (2019 : 27 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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
DIRECTORS' REPORT (CONTINUED)**

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 groups 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

By order of the board



R N Shah
Secretary

UK Home Office
Hartspring Lane
Watford
Hertfordshire
WD25 8JS

Date: 28th May 2021

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 period ended 30 August 2020 which comprise the group statement of comprehensive income, group balance sheet, company balance sheet, group statement of changes in equity, company statement of changes in equity, group statement of cash flows 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 30 August 2020 and of the group's profit for the 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 period 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 (CONTINUED)

TO THE MEMBERS OF COSTCO UK HOLDINGS LIMITED

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 8, 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

Chartered Accountants
Statutory Auditor

15 Canada Square
London
E14 5GL

28th May 2021

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

		Period ended 30 August 2020 £'000	Period ended 1 September 2019 £'000
	Notes		
Turnover	3	3,129,820	2,705,155
Cost of sales		(3,020,234)	(2,627,134)
Gross profit		109,586	78,021
Administrative expenses		(75,781)	(60,582)
Operating profit	4	33,805	17,439
Interest receivable and similar income	7	890	7,185
Interest payable and similar expenses	8	(11,818)	(4,843)
Profit before taxation		22,877	19,781
Tax on profit	9	(6,079)	(6,968)
Profit for the financial 52 weeks	29	16,798	12,813
Other comprehensive income		-	-
Total comprehensive income for the 52 weeks		16,798	12,813

Profit for the financial 52 weeks is all attributable to the owners of the parent company.

Total comprehensive income for the 52 weeks is all attributable to the owners of the parent company.

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 18 - 37 are an integral form part of this consolidated profit and loss account.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
GROUP BALANCE SHEET**

AS AT 30 AUGUST 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11		2,955		2,825
Tangible assets	12		499,662		510,410
			<u>502,617</u>		<u>513,235</u>
Current assets					
Stocks	17	283,453		276,130	
Debtors	18	43,486		45,669	
Investments	19	10,000		10,000	
Cash at bank and in hand		254,222		151,762	
		<u>591,161</u>		<u>483,561</u>	
Creditors; amounts falling due within one year	20	(395,419)		(337,620)	
Net current assets			<u>195,742</u>		<u>145,941</u>
Total assets less current liabilities			<u>698,359</u>		<u>659,176</u>
Provisions for liabilities	22		(10,558)		(7,996)
Net assets			<u><u>687,801</u></u>		<u><u>651,180</u></u>
Capital and reserves					
Called up share capital	26		14		14
Share premium account	27		286,176		286,176
Other reserves	28		67,900		67,900
Profit and loss reserves	29		333,711		297,090
Total equity			<u><u>687,801</u></u>		<u><u>651,180</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28th May 2021 and are signed on its behalf by:


J P Murphy
Director

Company Registration No. 03934833

The accompanying notes on pages 18 - 37 are an integral form part of this consolidated balance sheet.


**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
COMPANY BALANCE SHEET**

AS AT 30 AUGUST 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	13		324,131		324,131
Current assets					
Creditors: amounts falling due within one year	20	(793)		(793)	
Net current liabilities			(793)		(793)
Total assets less current liabilities			<u>323,338</u>		<u>323,338</u>
Capital and reserves					
Called up share capital	26		14		14
Share premium account	27		286,176		286,176
Other reserves	28		67,900		67,900
Profit and loss reserves	29		(30,752)		(30,752)
Total equity			<u>323,338</u>		<u>323,338</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the period was £nil (2019: £nil).

The financial statements were approved by the board of directors and authorised for issue on 28th May 2021 and are signed on its behalf by:


J.P. Murphy
Director

Company Registration No. 03934833

The accompanying notes on pages 18 - 37 are an integral form part of this balance sheet.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

		Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000	£'000
Balance at 3 September 2018		14	286,176	67,900	266,316	620,406
Period ended 1 September 2019:						
Profit and total comprehensive income for the period		-	-	-	12,813	12,813
Credit to equity for equity settled share-based payments	25	-	-	-	17,961	17,961
Balance at 1 September 2019		14	286,176	67,900	297,090	651,180
Period ended 30 August 2020:						
Profit and total comprehensive income for the period		-	-	-	16,798	16,798
Credit to equity for equity settled share-based payments	25	-	-	-	19,823	19,823
Balance at 30 August 2020		14	286,176	67,900	333,711	687,801

The accompanying notes form an integral part of financial statements.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

		Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000	£'000
Balance at 3 September 2018		14	286,176	67,900	(55,752)	298,338
Period ended 1 September 2019:						
Profit and total comprehensive income for the period		-	-	-	-	-
Dividends	10	-	-	-	25,000	25,000
Balance at 1 September 2019		14	286,176	67,900	(30,752)	323,338
Period ended 30 August 2020:						
Profit and total comprehensive income for the period		-	-	-	-	-
Balance at 30 August 2020		14	286,176	67,900	(30,752)	323,338

The accompanying notes form an integral part of financial statements.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
GROUP STATEMENT OF CASH FLOWS
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

		2020	2019
	Notes	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	34	130,716	76,523
Interest payable and similar charges		(11,818)	(4,843)
Income taxes paid		(6,750)	(4,953)
Net cash inflow from operating activities		112,148	66,727
Investing activities			
Purchase of intangible assets	11	(879)	(1,070)
Proceeds on disposal of intangibles		-	(2,003)
Purchase of tangible fixed assets	12	(15,488)	(41,391)
Proceeds on disposal of tangible fixed assets		7	2,061
Foreign exchange movements		5,702	(1,052)
Interest receivable and similar income		977	7,161
Net cash used in investing activities		(9,681)	(36,294)
Financing activities			
Payment of finance leases obligations		-	(55)
Net cash used in financing activities		-	(55)
Net increase in cash and cash equivalents		102,467	30,378
Cash and cash equivalents at beginning of 52 weeks		151,755	121,377
Cash and cash equivalents at end of 52 weeks		254,222	151,755
Relating to:			
Cash at bank and in hand		254,222	151,762
Bank overdrafts included in creditors payable within one year		-	(7)

The accompanying notes on pages 18 - 37 are an integral form part of this consolidated cash flow statement.

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 AUGUST 2020

1 Accounting policies

Company information

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 2 September 2019 to 30 August 2020. Comparative figures are shown for 3 September 2018 to 1 September 2019.

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.

1.1 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.

1.2 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 3.

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.

1.3 Basis of consolidation

The group financial statements consolidate the financial statements of Costco UK Holdings Limited and its subsidiary undertakings drawn up to 30 August 2020. 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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

1 Accounting policies

(Continued)

1.4 Going concern

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As part of the critical national infrastructure the company's and group's business remains open throughout the pandemic and has seen a significant increase in its sales, profits and cash flows even with curtailing of certain parts of our business and restricting services such as optical and hearing aid.

Nevertheless the directors have prepared cash flow forecasts for a period of twelve months incorporating the expected impact of COVID-19 on the company and group which indicate that, even when considering the severe but plausible downsides, such as reduced spending by our members, the company and group will have sufficient funds to meet its liabilities as they fall due.

Both at 30 August 2020 and throughout the period since, the company and group have considerable financial resources and positive cash flow, and as a consequence the directors believe that the company and group are well placed to manage their business risks successfully and meet all their 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.

The group and company does not have any external debtor covenants.

The company and group have seen a substantial increase in sales, operating profits and cash flow since 30 August 2020. 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 company and group will maintain their profitability and strong positive cash flow and will have sufficient funds to continue to meet their 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 these financial statements.

1.5 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	3-5 years
----------	-----------

1.6 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 land and buildings	15-50 years
Leasehold improvements	20-30 years
Fixtures and fittings	3-8 years

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

1 Accounting policies

(Continued)

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.

1.7 Investments

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

1.8 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.

1.9 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.

1.10 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.

1.11 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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

1 Accounting policies

(Continued)

1.12 Provision cost

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.

1.13 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.

1.14 Pensions

The group operates a funded defined contribution personal pension scheme. The scheme is open to all employees. The group matches employee contributions up to 9.4% of salary with a minimum of 5% depending on years of 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.

1.15 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.

1.16 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.

1.17 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.

1.18 Pre-opening expenditure

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

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

1 Accounting policies

(Continued)

1.19 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.

2 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 22 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.

3 Turnover and other revenue

	2020	2019
	£'000	£'000
Turnover analysed by geographical market		
UK	3,061,354	2,637,310
European Union	26,749	24,948
Other	41,717	42,897
	<u>3,129,820</u>	<u>2,705,155</u>

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.

4 Operating profit

	2020	2019
	£'000	£'000
Operating profit for the period is stated after charging:		
Depreciation of owned tangible fixed assets	26,105	24,176
Loss on disposal of tangible fixed assets	124	165
Amortisation of intangible assets	749	248
Share-based payments	<u>19,823</u>	<u>17,961</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

5 Auditor's remuneration

	2020	2019
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	3	1
Audit of the financial statements of the company's subsidiaries	165	113
	<u>168</u>	<u>114</u>
For other services		
Audit-related assurance services	23	22
Other taxation services	35	73
	<u>58</u>	<u>95</u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the 52 weeks was:

	Group	
	2020	2019
	Number	Number
Operations	6,807	6,781
Merchandising	159	160
Administration	232	217
Total	<u>7,198</u>	<u>7,158</u>

Their aggregate remuneration comprised:

	Group	
	2020	2019
	£'000	£'000
Wages and salaries	221,369	202,053
Social security costs	17,599	16,733
Pension costs	10,645	8,826
	<u>249,613</u>	<u>227,612</u>

There were no employees other than directors in the company.

Directors' remuneration:

During the period, no director was remunerated through the company (2019 : £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 30 August 2020 nor for the period ended 1 September 2019.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

7 Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest income		
Interest receivable on financial assets at amortised cost	865	1,161
Other interest income	2	-
Total interest revenue	867	1,161
Other income from investments		
Net gain on financial liabilities measured at fair value	23	6,024
Total income	890	7,185

Investment income includes the following:

Interest receivable on financial assets at amortised cost	865	1,161
Net gain financial liabilities measured at fair value through profit or loss	23	6,024

8 Interest payable and similar expenses

	2020	2019
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Net loss on assets and liabilities measured at fair value	11,801	4,834
Other finance costs:		
Interest on finance leases and hire purchase contracts	-	9
Other interest	17	-
Total finance costs	11,818	4,843

9 Taxation

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax on profits for the current period	6,716	4,746
Adjustments in respect of prior periods	(519)	(541)
Total current tax	6,197	4,205
Deferred tax		
Origination and reversal of timing differences	2,848	2,763
Adjustment in respect of prior periods	(2,966)	-
Total deferred tax	(118)	2,763
Total tax charge	6,079	6,968

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

9 Taxation

(Continued)

The actual charge for the 52 weeks can be reconciled to the expected charge for the 52 weeks based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£'000	£'000
Profit before taxation	22,877	19,781
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	4,347	3,758
Capital allowances less than depreciation	3,081	393
Expenses not deductible for tax purposes	1,443	3,234
Other timing differences	693	122
Prior period adjustment	(3,485)	(539)
Taxation charge	6,079	6,968

On the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £188K.

10 Dividends

	2020	2019
	£'000	£'000
Dividend received	-	(25,000)

During the period the company received 'Nil' dividend (2019:£25m)

11 Intangible fixed assets

Group	Software
	£'000
Cost	
At 2 September 2019	3,902
Additions	879
Disposals	(1,815)
At 30 August 2020	2,966
Amortisation and impairment	
At 2 September 2019	1,077
Amortisation charged for the 52 weeks	749
Disposals	(1,815)
At 30 August 2020	11

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

11 Intangible fixed assets

(Continued)

Carrying amount

At 30 August 2020 2,955

At 1 September 2019 2,825

The company had no intangible fixed assets at 30 August 2020 or 1 September 2019.

12 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Fixtures and fittings £'000	Total £'000
Cost					
At 2 September 2019	554,540	77,041	292	119,677	751,550
Additions	4,364	204	2,749	8,171	15,488
Disposals	(192)	-	-	(4,242)	(4,434)
Transfers	(2,758)	1,678	(2,400)	3,480	-
At 30 August 2020	555,954	78,923	641	127,086	762,604
Depreciation and impairment					
At 2 September 2019	137,769	18,822	-	84,549	241,140
Depreciation charged in the 52 weeks	11,574	1,975	-	12,556	26,105
Eliminated in respect of disposals	(113)	-	-	(4,190)	(4,303)
At 30 August 2020	149,230	20,797	-	92,915	262,942
Carrying amount					
At 30 August 2020	406,724	58,126	641	34,171	499,662
At 1 September 2019	416,771	58,219	292	35,128	510,410

The company had no tangible fixed assets at 30 August 2020 or 1 September 2019.

Freehold land amounting to £213,755,486 (2019 : £ 212,304,421) and long leasehold land amounting to £ 34,646,998 (2019 : £ 34,646,998) 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 (2019 : £2,182,000).

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

13 Fixed asset investments

	Notes	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investments in subsidiaries	14	-	-	324,131	324,131

**Movements in fixed asset investments
Company**

	Shares in group undertakings £'000
Cost or valuation	
At 2 September 2019 and 30 August 2020	324,131
Carrying amount	
At 30 August 2020	324,131
At 1 September 2019	324,131

14 Subsidiaries

The undertakings in which the company's interest at the period end is more than 50% are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Costco Wholesale UK Limited	UK Home Office, Hartspring Lane, Watford, Hertfordshire, WD25 8JS	Warehouse Club	Ordinary share capital	100.00	-
Costco Limited	"As above"	Property	Ordinary share capital	-	100.00
Alcalay Limited	"As above"	Dormant	Ordinary share	-	100.00
Submitselect Limited	"As above"	Dormant	Ordinary share	-	100.00
Costco Online UK Limited	"As above"	Ecommerce	Ordinary share	100.00	-
Crick Management Company Limited	"As above"	Estate Management	Ordinary share	-	80.00

15 Associates

Details of associates at 30 August 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
SURFACE WATER (C.G. MANAGEMENT) LIMITED	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX	Dormant	Ordinary Shares	-	33

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

16 Financial instruments

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	36,264	38,772	-	-
Instruments measured at fair value through profit or loss	10,000	10,000	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at amortised cost	372,013	313,606	793	793
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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).

17 Stocks

	Group	
	2020	2019
	£'000	£'000
Finished goods and goods for resale	283,453	276,130
	<u> </u>	<u> </u>

There were no stocks held in the company.

Stocks are shown after provisions for impairment of £2,658,000 (2019:£1,250,000)

18 Debtors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	27,003	25,360	-	-
Amounts owed by group undertakings	8,263	6,335	-	-
Other debtors	714	6,111	-	-
Prepayments and accrued income	2,311	3,634	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	38,291	41,440	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts falling due after more than one year:				
Deferred tax asset (note 23)	5,195	4,229	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total debtors	<u>43,486</u>	<u>45,669</u>	<u>-</u>	<u>-</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

18 Debtors (Continued)

Debtors in the group include prepayments and accrued income of £5,817 (2019: £1,797) due after more than one year.

19 Current asset investments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial assets held for trading	10,000	10,000	-	-

20 Creditors: amounts falling due within one year

	Notes	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank loans and overdrafts	21	-	7	-	-
Trade creditors		168,822	155,800	-	-
Amounts owed to group undertakings		7,121	6,672	793	793
Corporation tax payable		2,361	2,914	-	-
Other taxation and social security		21,045	21,100	-	-
Other creditors		20,281	12,450	-	-
Accruals and deferred income		175,789	138,677	-	-
		395,419	337,620	793	793

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 30 August 2020 £Nil (2019: £Nil) was drawn and due within one year.

21 Loans and overdrafts

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Bank overdrafts	-	7	-	-
Payable within one year	-	7	-	-

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

22 Provisions for liabilities

		Group	
	Notes	2020	2019
		£'000	£'000
Self insurance and warranty costs		5,957	4,243
Deferred tax liabilities	23	4,601	3,753
		<u>10,558</u>	<u>7,996</u>

Movements on self insurance and warranty costs apart from deferred tax liabilities:

Group	Self Insurance	Warranty costs	Total
	£'000	£'000	£'000
At 2 September 2019	982	3,261	4,243
Additional provisions in the year	420	2,148	2,568
Utilisation of provision	(251)	(603)	(854)
At 30 August 2020	<u>1,151</u>	<u>4,806</u>	<u>5,957</u>

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.

23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities	Liabilities	Assets	Assets
	2020	2019	2020	2019
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	6,636	356	1,355	2,818
Other timing difference	(2,035)	3,397	3,840	1,411
	<u>4,601</u>	<u>3,753</u>	<u>5,195</u>	<u>4,229</u>

The company has no deferred tax assets or liabilities.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

23 Deferred taxation

(Continued)

	Group 2020 £'000	Company 2020 £'000
Movements in the 52 weeks:		
Asset at 2 September 2019	(476)	-
Credit to profit or loss	(118)	-
Asset at 30 August 2020	<u>(594)</u>	<u>-</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

24 Retirement benefit schemes

	2020 £'000	2019 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>10,645</u>	<u>8,826</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Share-based payment transactions

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.

Restricted Stock Units (RSUs) have been granted under the Costco Wholesale Corporation 2019 Stock Incentive Plan and predecessor plans. RSUs generally vest over five years with an equal amount vesting on each anniversary of the grant date.

Details of RSUs outstanding during the period are as follows:

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

25 Share-based payment transactions

(Continued)

Group	Number of RSU		Weighted average exercise price	
	2020 Number	2019 Number	2020 £'000	2019 £'000
Outstanding at 2 September 2019	349,288	412,149	125.97	105.15
Granted	89,360	110,200	225.01	170.29
Forfeited	(28,067)	(7,482)	145.46	129.39
Exercised	(143,922)	(165,579)	123.10	103.48
Outstanding at 30 August 2020	<u>266,659</u>	<u>349,288</u>	<u>158.66</u>	<u>125.97</u>
Exercisable at 30 August 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The weighted average share price at the date of exercise for RSUs exercised during the period was £233.21 (2019 : £172.59). The weighted average fair value of RSUs granted to date is £76.00. 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.

26 Share capital

	Group and company	
	2020 £'000	2019 £'000
Ordinary share capital Issued and fully paid 13,965 of £1 each	<u>14</u>	<u>14</u>

27 Share premium account

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At the beginning and end of the 52 weeks	<u>286,176</u>	<u>286,176</u>	<u>286,176</u>	<u>286,176</u>

28 Other reserves

Group	£'000
At the beginning of the prior 52 weeks	<u>67,900</u>
At the end of the prior 52 weeks	<u>67,900</u>
At the end of the current 52 weeks	<u>67,900</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020

28 Other reserves

(Continued)

Company	£'000
At the beginning of the prior 52 weeks	67,900
At the end of the prior 52 weeks	67,900
At the end of the current 52 weeks	67,900

Capital reserve consists of non-distributable capital contributions.

29 Profit and loss reserves

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At the beginning of the 52 weeks	297,090	266,316	(30,752)	(55,752)
Profit for the 52 weeks	16,798	12,813	-	-
Dividends	-	-	-	25,000
Share based payment transactions	19,823	17,961	-	-
At the end of the 52 weeks	333,711	297,090	(30,752)	(30,752)

At 30 August 2020 the cumulative goodwill written off against profit and loss account reserve for businesses acquired prior to 3 September 1995 was £535,000 (2019 : £535,000).

30 Operating lease commitments

Annual commitments under non- cancellable operating leases which expire

	Group	
	2020	2019
	£'000	£'000
Within one year	9	11
Between two and five years	17	16
In over five years	120,073	126,989
	120,099	127,016

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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

31 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Acquisition of tangible fixed assets	6,116	3,702	-	-

In addition the group had £'nil' contractual commitments (2019 - £2,000,000) 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.

32 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020	2019
	£'000	£'000
Aggregate compensation	2,707	2,334

The company is controlled by Costco US Holdings Inc's, 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 company owns 80% of Crick Management Company Limited.

Costs relating to the period of £ 40,169 were recharged to Costco Wholesale UK Limited by Crick Management Company Limited. At the end of the period £nil was due from the Costco Wholesale UK Limited to Crick Management Company Limited

At the end of the period there was £12,099 owed to Costco Wholesale UK Limited from Crick Management Company Limited.

There are no other related party transactions except mentioned above.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

33 Controlling party

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.

34 Cash generated from group operations

	2020	2019
	£'000	£'000
Profit for the 52 weeks after tax	16,798	12,813
Adjustments for:		
Taxation charged	6,079	6,968
Interest payable and similar charges	11,818	4,843
Interest receivable and similar income	(890)	(7,185)
Loss on disposal of tangible fixed assets	124	165
Amortisation and impairment of intangible assets	749	248
Depreciation and impairment of tangible fixed assets	26,105	24,176
Equity settled share based payment expense	19,823	17,961
Increase in provisions	1,714	170
Movements in working capital:		
Increase in stocks	(7,323)	(9,030)
Increase in debtors	(2,640)	(2,186)
Increase in creditors	58,359	27,580
Cash generated from operations	130,716	76,523

35 Analysis of changes in net funds - group

	2 September 2019	Cash flows	30 August 2020
	£'000	£'000	£'000
Cash at bank and in hand	151,762	102,460	254,222
Bank overdrafts	(7)	7	-
	151,755	102,467	254,222

36 Streamlined Energy and Carbon Reporting (SECR)

Costco UK Holding Limited and its affiliates (see note 14), for purposes of the UK's SECR, will be collectively referred to as "Costco UK" and will be collectively reporting as a large unquoted company under SECR reporting obligations.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

36 Streamlined Energy and Carbon Reporting (SECR)

(Continued)

Costco UK's Environmental reporting methodologies are in accordance with its parent, Costco Wholesale Corporation (Costco Wholesale), reporting methodologies and key performance indicators set forth in Costco Wholesale's Global Climate Action Plan. More information can be found here: <https://www.costco.com/sustainability-climate-action-plan.html#introduction>.

Costco Wholesale currently reports its greenhouse gas (GHG) emissions in a consolidated format for all global operations through the CDP (also known as the Carbon Disclosure Program) and in its Global Sustainability Commitment as part of its Global Climate Action Plan.

Reporting Year and Methodology

Costco UK's accounting period ending 30 August 2020 is the first required financial period to report per the SECR. Accordingly, we will not be reporting previous period's figures for energy use and GHG emissions attributable to its operations in UK Costco. All reporting is the consolidated energy use and GHG emissions for the collective UK companies or Costco UK.

While Costco UK and Costco Wholesale report their financial performance on a fiscal period basis, Costco Wholesale captures and reports its global emissions in a calendar year format as required by the CDP and in keeping with voluntary standards based upon the Intergovernmental Panel for Climate Change (IPCC) guidelines and within the guidance methodology of GHG Protocol Corporate Accounting Standard. In addition, method factors applied to the SECR obligation for Costco UK are from the Department for Environment, Food and Rural Affairs (DEFRA) 2020 condensed publication, in keeping with reporting for calendar year 2020.

The capture of data is related to all owned/controlled activities.

Other than stationary combustion, volumes are provided based on the GHG Protocol guidance for global units of measure consistent with the majority of Costco Wholesale facilities worldwide.

Costco UK Energy Use

Total Costco UK Scope 1 and 2 emissions for calendar 2020 equals to 52,055 tCO₂e, as detailed below:

Scope 1 Direct emissions are reported by source type: stationary combustion, fugitive emissions, and mobile sources.

Stationary combustion in calendar year 2020 was 55,304,172 kWh equal to 10,045.27 in tCO₂e. This includes the combustion of permanent backup generators for emergency purposes.

Mobile sources in calendar year 2020 were 1,220,633 gallons equal to 12,445.53 tCO₂e. This includes aviation fuel, employee vehicle business travel, fleet transportation fuel, propane, and non over the road fuel consumption. For purposes of recording fleet transportation fuel, measurements include over the road distribution from owned to owned operations not inclusive of rail car, vessel or aircraft.

Fugitive emissions in calendar year 2020 were 71,278 pounds equal to 9,301.46 tCO₂e. This includes beverage and refrigeration CO₂, as well as any other gaseous refrigerant fuel emissions.

Scope 2 Indirect emissions in calendar year 2020 from purchased electricity were 79,764,585 kWh equal to 20,263 tCO₂e.

Energy Intensity Measurements

Costco UK, in line with Costco Wholesale, currently measures its carbon emissions against its sales revenues, with the goal that our carbon footprint growth remains less than our company sales growth. For purposes of intensity measurements, Costco UK and Costco Wholesale reports emissions and sales revenue on a calendar year basis.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 30 AUGUST 2020**

36 Streamlined Energy and Carbon Reporting (SECR)

(Continued)

For purposes of reporting for the SECR in 2020, Costco UK is using the following intensity measurement for calendar year 2020: Tonnes of CO₂e per total £ Thousands of sales revenue.

2020 tCO₂e = 52,055 (collective emissions of Costco UK)

2020 Sales revenue = £ 3,315 million (collective revenue of Costco UK)

Tonnes of CO₂e per thousand of sales revenue = 0.015702866

Energy Efficiency and Carbon Emission Reduction Actions

Examples of actions taken by Costco UK in 2020 to decrease its energy usage and carbon emissions include:

- 1) Locations in the UK have completed LED lighting conversion and installed Voltage Optimization units at all locations to regulate/optimize incoming voltage to the required levels to reduce over supply of electricity. This will be augmented with training for our managers on utility management systems to ensure operational efficiency.
- 2) Locations in the UK continued in 2020 facility reviews that began in 2019 of Refrigeration Pack Lifecycle to improve the efficiency of refrigeration and Heating Ventilation and Air Conditioning systems.
- 3) CO₂ refrigerant is used in our newest location in the UK at Stevenage.
- 4) The UK has 3 solar photovoltaic systems, which generated in 2020 187,993 kWh, reducing CO₂e by 34.5 MtCO₂e.
- 5) Costco Wholesale implemented several behavioral facility level tools used by Costco UK that include (1) an enhanced companywide global utility use and cost database and (2) a facility level Carbon Capture Program. Both allow for detailed information at a facility and comparison to all operations worldwide.