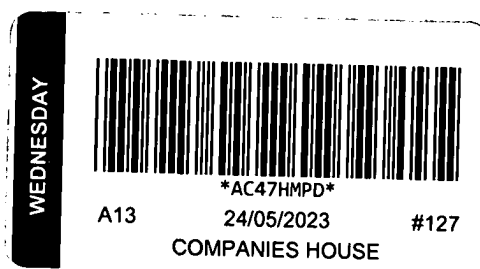


COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 28 AUGUST 2022
Company Registration No. 03934833 (England and Wales)



**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
COMPANY INFORMATION**

Directors	R Galanti P Riel	(Appointed 11 April 2022)
Secretary	R N Shah	
Company number	03934833	
Registered office	UK Home Office Hartspring Lane Watford Hertford UK WD25 8JS	
Auditor	KPMG LLP 1 Sovereign Square, Sovereign Street Leeds LS1 4DA	
Business address	UK Home Office Hartspring Lane Watford Hertford UK WD25 8JS	

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
CONTENTS**

	Page
Strategic report	1 - 9
Directors' report	10 - 11
Directors' responsibilities statement	12
Independent auditor's report	13 - 16
Group statement of comprehensive income	17
Group balance sheet	18
Company balance sheet	19
Group statement of changes in equity	20
Company statement of changes in equity	21
Group statement of cash flows	22
Notes to the financial statements	23 - 42

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS STRATEGIC REPORT

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Strategic review

We operate membership warehouses and e-commerce website based on the concept that offering our members low prices on a limited selection of nationally-branded and private-label products in a wide range of categories will produce high sales volumes and rapid inventory turnover. When combined with the operating efficiencies achieved by volume purchasing, efficient distribution and reduced handling of merchandise in no-frills, self-service warehouse facilities, these volumes and turnover enable us to operate profitably at significantly lower gross margins (net sales less merchandise costs) than most other retailers.

Our e-commerce channel, which has a common strategy and operates as a separate legal entity, has continued to show substantial growth. It has created synergies and a broader audience in the market place. The majority of the items listed online are complementary to the items sold in the Costco warehouses. It offers quality merchandise and services from a wide range of major brands at low prices inclusive of delivery, installation and disposals on select items and inclusive of the normal Costco guarantees and warranties.

Results including key trends and factors affecting performance

Turnover for the period increased 17.1% to £4,193.1m (2021: £3,581.8m) which reflected the post pandemic return to normalcy, as businesses and the economy opened up, Government restrictions relating to Covid 19 were lifted and our members began to increase their shopping frequency at our warehouses. Online channel sales were flat on the back of nearly 70% increase in the prior period. Our petrol sales also experienced a significant increase, partly due to our members driving more once pandemic related restrictions were lifted. These sales helped increase our membership base as well as footfall in our warehouses.

During the period we opened our Watford petrol station, giving us 19 petrol stations (out of 29 warehouses).

In the merchandise categories, our food and sundries sales saw an increase, with a slight shift from nonfood categories as our members reduced spend on items such as electronics, gardening, exercise equipment and furniture relative to pandemic levels. Our business model, offering a wide but controlled selection of products and services with strong buying power, allows us to quickly react to changes in our members' behavior and demand, as shown during the pandemic. Our ability to receive, process and promptly ship quantities of inventory at scale underpins our credibility with our members and our suppliers alike.

Gross profit margin remained flat at 4.3%, mainly due to higher logistics costs in our online business, offset by higher volume and lower expense ratio in our warehouse business. The group operating profit saw an increase of 21.4% to £102.5m (2021: £84.4m) from a combination of a strong growth in our warehouse sales and leveraging of expenses. We did not incur high level of pandemic related costs during the period, which impacted the prior period results.

Our cash deposits increased to £274.9m (2021: £258.4) from operating cash flow. Our interest income rose sharply from a combination of higher cash deposits and rising interest rates.

In delivering these results, the business dealt with the following operational challenges:

The past year presented many challenges due to inflationary pressures in commodities, utility costs, labour and transportation. Our buying and operations staff exhibited perseverance in executing strategies to reduce the impact to our members and the business. To counteract these increases in our costs, we continued to improve operating efficiencies across our business through continual improvements in our business processes and systems, invested in logistics infrastructure and worked with our suppliers to implement optimal packaging solutions.

Our business model, including limiting SKU counts, focusing on the most productive items, bringing merchandise to market in high volumes, investing in our people and making the improvements in productivity, promoted resilience under challenging circumstances.

Membership sales remained strong, showing continuing member loyalty and satisfaction, resulting in high renewal rates. Membership sales were also boosted by our petrol business by approximately 6% during the period.

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

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Key performance indicators

<u>Financial KPI's</u>	2022	2021
Total turnover growth	17.1%	14.4%
Gross profit margin *	4.3%	4.4%
Expenses ratio *	1.9%	2.2%
Operating Profit	2.4%	2.4%
Profit before tax *	2.9%	2.6%
Stock turnover	10.2	10.1
Operating cashflow (£'000)	161,352	93,838

* 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
Employee turnover
Health and safety incidents
On- time payment to suppliers

Risk and opportunities

1. Our inability 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 conduct regular price comparisons against our competitors and seek to offer everyday better value for money in terms of lower price, high quality and excellent service. We also focus on controlling increases in operating expenses and staff related costs through increases in operational 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 and 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 demographics and consumer preferences. Our buying teams are constantly in touch with our suppliers and access trade shows and other industry events to stay in touch with trends and identify new items.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
STRATEGIC REPORT (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

3. Our ability to open new warehouses is affected by real estate and construction costs, changes in national and/or municipal planning laws and other regulations related to use of land.

We monitor and respond to new and changed planning laws and other regulations. We expect over the long term to increase our presence in existing markets and new markets. This will depend on our ability to identify and secure suitable locations on acceptable terms and manage construction costs and pre-opening expenses.

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

We have monitoring and back-up processes to attempt to minimise the risk of system failures. We maintain a Disaster Recovery Plan, which is routinely tested, designed to bring together members of senior management team to act quickly and appropriately.

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

Damage to our brands and reputation could arise from selling of merchandise or services which fail to meet our high safety and quality standards, or from our failure to comply with laws and regulation in our business dealings with our employees, suppliers, government agencies and others. We lower the risk of damage to our brands and reputation through rigorous due diligence over product safety and quality, monitoring of our internal operational and merchandising procedures, and regular training and development of our employees.

6. A breach of member or employee data could cause disruption to our business and financial, regulatory, legal, and reputational damage.

We receive, retain, and transmit personal information about our members and employees and entrust that information to third-party business associates, including cloud service-providers. Our 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. It could also 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.

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. We currently maintain cyber-insurance for these risks.

We have security measures and controls designed to protect personal and business information, and we continue to invest to secure 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

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS STRATEGIC REPORT (CONTINUED) FOR THE 52 WEEKS ENDED 28 AUGUST 2022

7. General economic factors in the UK and internationally may adversely affect our business, financial health and operations.

Inflationary pressures, including merchandise costs, labour rates, rising energy and transportation costs may erode profitability, and pressure on household budgets may reduce demand for our products and services.

We seek to reduce the impact of cost increases by global sourcing, working with our suppliers in reducing supply chain costs, and seeking alternative supplies or items.

8. Factors associated with climate change could adversely affect our business

We use natural gas, diesel and petrol fuel and electricity in our distribution and warehouse operations. Government regulations over carbon dioxide and other greenhouse gas emissions may increase our compliance and merchandise costs. Climate change, extreme weather conditions and rising sea levels could also affect our ability to procure goods in the quantities and costs now available.

Costco's continuing work on initiatives aligned with the our Global Climate Action Plan, the Global Forest Conservation Commitment and the UN Sustainable Development Goals as is set out on our US parent company's website. Our streamlined energy and carbon report is included on pages 7-9.

To address these 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 mitigation efforts

Financial instruments and risk management

The main risks associated with the company's financial assets and liabilities are set out below:

Risk of wide fluctuations in the Market Price for financial assets

Due to the nature of financial assets and liabilities held at cost, there is no significant exposure to price risk.

Liquidity risk

Liquidity risk is the risk the company will encounter difficulty in meeting its obligations associated with financial liabilities. Given the group's financial resources, this is not deemed to be a significant risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. It is the policy of the company that all customers who wish to trade on credit terms are subject to verification procedures. The company has an accounting policy to provide for certain overdue debts based on past experience and believe there are no unprovided overdue significant financial assets.

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

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Section 172 statement

Costco UK Holdings Limited and its subsidiaries (the 'Group') are ultimately owned by Costco Wholesale Corporation, ('Costco Wholesale') a company incorporated in the United States of America, and generally abides by 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.

Our governance framework is based upon Costco Wholesale's Code of Ethics, which underlies our culture, value and how we conduct with all our stakeholders - our members, employees, suppliers and shareholders. The directors of the Company use these guiding principles in their day to day decision making and in implementing our corporate strategy. The following table describes the five elements of our Code of Ethics and how the directors have fulfilled their duties during the period.

Stakeholder	Relevant code of ethics	Their interests	How we engage
All	Obey the law	<ul style="list-style-type: none"> Various 	<p>We must conduct our business in 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 known deficiencies.</p> <p>All employees, directors and officers are expected to promptly report both actual and suspected violations of the law or our Code of Ethics via our Open Door Policy and Ethicspoint, our confidential reporting tool which can also be used by our suppliers, members, and others.</p>
Members	Take care of our members	<ul style="list-style-type: none"> Range and product availability Competitive prices Timeliness Ease of website and online shopping experience Customer service 	<p>Our members pay a membership fee to shop at Costco. We strive to provide top quality merchandise and service at low prices. 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 in our warehouses.</p>

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

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Principal risks and uncertainties

Employees	Take care of our employees	<ul style="list-style-type: none"> • Fair remuneration and benefits • Training, development and career progression • Health and safety and working conditions • Diversity and inclusion • Human rights 	<p>Our employees are our most important asset. We believe we have the best employees in the industry, and we are committed to providing them with competitive pay and benefits, offering rewarding careers and providing 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.</p> <p>Further detail about employee engagement is included under the Employee engagement and consultation section of this report.</p>
Suppliers	Respect our suppliers	<ul style="list-style-type: none"> • Success of the business • Supply chain and logistics • Anti-bribery and corruption • Human rights and modern slavery • Long term partnerships • Responsible sourcing requirements • Audits • Terms and conditions • Payment terms 	<p>Our suppliers are partners in business and for us to prosper they need to prosper with us. We have procedures in place to ensure we honour 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.</p>
Shareholders	Reward our shareholders	<ul style="list-style-type: none"> • Comprehensive view of financial and sustainable performance of the business • Return on investment 	<p>Our ultimate parent company, Costco Wholesale Corporation, is a NASDAQ listed company. We believe that if we follow the principles of our Code of Ethics throughout the organisation, then Costco will reward its shareholders.</p>

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

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Information on decision making

The board delegates operational decision making to the Buying, Finance, IT, Operations, HR & Legal, Property and Development leadership teams. Significant decisions made during the period related to the Group's response to the post pandemic shopping behaviour of our members, inflationary pressures, logistics and supply chain issues, staffing challenges, supporting Costco locations in Iceland, Sweden and elsewhere in Europe through shared buying activities and distribution of merchandise to them. These are discussed elsewhere within the Strategic Report.

Employee engagement and consultation

The board is committed to effective engagement with its employees. Our Employee Agreement represents a strong commitment to fairness, consistency and open lines of communications with all employees through the open door policy, where an employee is free to see any member of the management team to discuss their concerns, and otherwise. Throughout the company, line managers engage with their employees through an annual appraisal process and informal one-to-one meetings where they are encouraged to provide transparent feedback. Training sessions are held by Human Resources team to enhance and improve skills necessary for managing a diverse workforce.

The company values the involvement of its employees and continues to keep 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, the intranet and the employee magazine. We believe our high employee satisfaction is shown by our employee turnover ratio of 5.7% (2021: 3.5%) for full time staff for the current period.

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.

Sustainability, energy and carbon emission

Costco UK Holding Limited and its subsidiaries (see note 14) for purposes of the UK's Streamlined Energy and Carbon Reporting (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'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>

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 ended 28 August 2022 (2022). All reporting is the consolidated energy use and GHG emissions for the collective UK companies or Costco UK.

As of 2021, Costco UK and Costco Wholesale report their financial performance and global emissions on a financial period basis, 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 of GHG Protocol Corporate Accounting Standard. Method factors applied to the SECR obligation for Costco UK are the UK Government GHG Conversion Factors for Company Reporting, applied as follows: for Costco UK's financial period 2022, DEFRA 2021 factors were used for September to December 2021 data and DEFRA 2022 factors were used for January to August 2022 data. The inventory boundary is defined using the operational control approach. Scope 2 inventory is presented using the location-based method.

Prior to 2021, Costco UK reported emissions and all other relevant metrics on a calendar-year basis. The schedule on page 8 now shows 2021 data on financial period basis.

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

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Costco UK Energy Use

Total Costco UK Energy Use and GHG Emissions Scope 1 and 2 for 2022, as compared to 2021, figures are summarised as follows:

	CY 2020 January 2020 December 2020	Restated 2021 September 2020 August 2021	2022 September 2021 August 2022
Scope 1 & 2 Total tCO ₂ e Emissions	42,238	37,510	34,364
Sales ('000s)	3,315,000	3,582,000	4,193,000
Intensity (tCO ₂ e/ £M Sales)	12.74	10.47	8.20
Stationary Combustion (kWh)	55,304,172	60,176,140	56,885,540
Mobile Sources (Gal)	62,553	41,435	63,035
Fugitive Emissions (lbs)	71,278	73,198	87,022
Scope 2 Purchased Electricity (kWh)	79,764,585	80,356,668	83,031,112

Details are provided below:

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

Stationary combustion in 2022 was 56,885,540 kWh equal to 10,374 in tCO₂e. This includes the combustion of permanent backup generators for emergencies.

Mobile sources in 2022 were 2,413,111 kWh equal to 601 tCO₂e. This includes aviation fuel, diesel for Costco-operated vehicles, non over-the-road fuel, employee vehicle business travel, and propane.

Fugitive emissions in 2022 were 87,022 pounds equal to 6,801 tCO₂e. This includes gaseous refrigerant fuel emissions and beverage CO₂.

Scope 2 Indirect emissions in 2022 from purchased electricity were 83,031,112 kWh equal to 16,587 tCO₂e.

We have received improved consumption data and updated certain calculation methodologies for Refrigeration (Fugitive Emissions), Procured Electricity and Mobile Fuel. We have restated our 2021 reported consumption and emissions to reflect these changes.

Energy Intensity Measurements

Costco UK is using the following intensity measurement for 2022: Tonnes of CO₂e per total £ million of sales revenue.

2022 tCO₂e = 34,364 (collective emissions of Costco UK)

2022 Sales revenue = £4,193 million (collective revenue of Costco UK)

Tonnes of CO₂e per million of sales revenue = 8.20

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS STRATEGIC REPORT (CONTINUED) FOR THE 52 WEEKS ENDED 28 AUGUST 2022

Energy Efficiency Action Taken

New Lighting Fixtures and Control Systems

We have retrofitted six locations with lighting control systems, which enable fixtures to be individually controlled. This improves our electricity consumption by limiting lighting usage to need. Additionally, lighting at these locations have been fitted with high efficiency LED light fixtures.

Solar Photovoltaic (PV)

We installed our fourth solar PV system at our Watford location. Other locations are being assessed for PV systems with the intention to expand where feasible.

Energy Savings Opportunity Scheme (ESOS) Phase 3 Assessments

The ongoing requirements of the ESOS programme are being carried out. A selection of locations have been audited and reports are being prepared for internal review and corrective actions implemented where applicable.

Environmental Sustainability and Compliance Manager (ESCM)

The ESCM evaluates all Costco locations at least annually on environmental compliance and sustainability health. The evaluations identify energy saving opportunities at each location as well as other operational efficiencies and cost savings.

Outlook

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

Our outlook remains optimistic as our business continues to grow its value reputation and membership base, leverage pricing through higher volumes, improved efficiency and further improve and enhance its online platform, offers and services. Our petrol business has increased our membership sign ups and membership renewal rates which, in turn, has resulted in higher footfall in our warehouses.

We believe our business has been shown to be scaleable, resilient and agile. Drawing on a greater depth of product lines now afforded by our suppliers, economies of scale, the power of global buying, and a well funded infrastructure, we will continue to offer our members a wide range of quality products and competitive prices, whether they shop with us in our warehouses or through our e-commerce channel.

Statements contained in this document are aspirational and relate to the manner in which the Company currently intends to conduct certain of its activities, based on management's current plans and expectations. These statements are not promises, guarantees, or statements on which you should rely with respect to the Company's conduct or policies, and are subject to a variety of risks and uncertainties, some of which may be material and/ or beyond the Company's control. Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update these statements, except as required by law.

By order of the board

DocuSigned by:

FF6930CE13764F3...
R N Shah
Secretary

UK Home Office
Hartspring Lane
Watford
Hertfordshire
WD25 8JS

Date :22.05.2023

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

The directors present their annual report and financial statements for the 52 weeks ended 28 August 2022. Comparative figures are shown for the 52 weeks ended 29 August 2021.

Principal activities

Costco UK Holdings Limited is a wholly owned by 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. Costco UK Holdings Limited operates 29 UK warehouses through its wholly owned subsidiary, Costco Wholesale UK Limited and an e-commerce business through its wholly owned subsidiary, Costco Online UK Limited, collectively called 'Costco'.

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. A typical 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. Our e-commerce business also operates a drop ship model whereby merchandise is shipped directly to our customers from suppliers. As a result, Costco eliminates many of the costs associated with multiple step distribution channels, such as

- Purchasing from distributors as opposed to manufacturers;
- Extended storage of merchandise in locations off the sales floor.

Our lower prices benefit all of our members.

Costco charges an annual membership fee of £22 plus VAT for trade members and £28 plus VAT for individuals which allows members to shop online as well as at our warehouses. 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. Our ecommerce business offers an online only subscription for £12.50 plus VAT for customers who do not want to shop in our warehouses.

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

P Riel

(Resigned 11 April 2022)

(Appointed 11 April 2022)

Results and dividends

The directors recommended the payment of £100m dividend (2021: £Nil) in relation to the prior period. The results are included in page 1 of the Strategic Report.

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 totaling £190,352 (2021: £211,627) during the period.

No political donations were made during the period (2021: £Nil).

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
DIRECTORS' REPORT (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

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

Costco's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

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 cash flows and profit and loss statements, covering short to medium term timeframes.

Costco 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.

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.

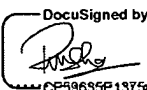
Creditors days

The policy of Costco 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 27 days (2021 – 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.

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

DocuSigned by:

CF59655E13754F3.....
R N Shah
Secretary

UK Home Office
Hartspring Lane
Watford
Hertfordshire
WD25 8JS

Date: 22.05.23

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS

Opinion

We have audited the financial statements of Costco UK Holdings Limited ("the Company") for the period ended 28 August 2022 which comprise the Group statement of comprehensive income, the Group balance sheet, the Company balance sheet, the Group statement of changes in equity, the Company statement of changes in equity, the 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 28 August 2022 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 its operations, and as they have concluded that the Group's 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 its 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 used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- A reduction in consumer spending driven by the economic environment
- The risk of rising inflation

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts

We considered whether the going concern disclosure in note 1.4 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1.4 to be acceptable.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS

Going concern (Continued)

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the transactional nature of the revenue and the lack of estimation uncertainty over its recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls.

We also performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Group's activities.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS

Fraud and breaches of laws and regulations – ability to detect (Continued)

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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 12, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS

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.



Katharine L'Estrange (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street
Leeds
LS1 4DA
Date: 24 May 2023

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

		Period ended 28 August 2022 £'000	Period ended 29 August 2021 £'000
	Notes		
Turnover	3	4,193,147	3,581,800
Cost of sales		(4,010,835)	(3,419,829)
Gross profit		182,312	161,971
Administrative expenses		(79,829)	(77,567)
Operating profit	4	102,483	84,404
Interest receivable and similar income	7	18,641	7,782
Interest payable and similar expenses	8	(245)	(804)
Profit before taxation		120,879	91,382
Tax on profit	9	(25,624)	(13,702)
Profit for the financial 52 weeks	28	95,255	77,680
Other comprehensive income		-	-
Total comprehensive income for the 52 weeks		95,255	77,680

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 on page 20.

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

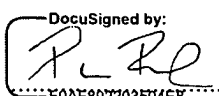
The accompanying notes on pages 23 - 42 are an integral part of this consolidated profit and loss account.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
GROUP BALANCE SHEET
AS AT 28 AUGUST 2022**

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11		2,730		3,328
Tangible assets	12		492,531		493,445
			<u>495,261</u>		<u>496,773</u>
Current assets					
Stocks	17	389,176		339,079	
Debtors	18	99,621		66,506	
Investments	19	70,000		70,000	
Cash at bank and in hand		274,946		258,373	
		<u>833,743</u>		<u>733,958</u>	
Creditors: amounts falling due within one year	20	(512,000)		(431,482)	
Net current assets			<u>321,743</u>		<u>302,476</u>
Total assets less current liabilities			<u>817,004</u>		<u>799,249</u>
Provisions for liabilities	21		(13,734)		(15,458)
Net assets			<u><u>803,270</u></u>		<u><u>783,791</u></u>
Capital and reserves					
Called up share capital	25		14		14
Share premium account	26		286,176		286,176
Other reserves	27		67,900		67,900
Profit and loss reserves	28		449,180		429,701
Total equity			<u><u>803,270</u></u>		<u><u>783,791</u></u>

The accompanying notes on pages 23 - 42 are an integral part of this consolidated balance sheet.

The financial statements were approved by the board of directors and authorised for issue on 22.05.2023 and are signed on its behalf by:

DocuSigned by:

 F0AF892203594EB...
 P Riel
 Director

Company Registration No. 03934833

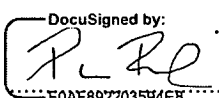
**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
COMPANY BALANCE SHEET
AS AT 28 AUGUST 2022**

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	13		355,131		324,131
Current assets		-		-	
Creditors: amounts falling due within one year	20	(793)		(793)	
Net current liabilities			(793)		(793)
Total assets less current liabilities			354,338		323,338
Capital and reserves					
Called up share capital	25		14		14
Share premium account	26		286,176		286,176
Other reserves	27		67,900		67,900
Profit and loss reserves	28		248		(30,752)
Total equity			354,338		323,338

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 £131m (2021 : £nil).

The accompanying notes on pages 23 - 42 are an integral part of this balance sheet.

The financial statements were approved by the board of directors and authorised for issue on 22.05.2023 and are signed on its behalf by:

DocuSigned by:

 F0AF892203594E8...
 P Riel
 Director

Company Registration No. 03934833

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 28 AUGUST 2022

		Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000	£'000
Balance at 31 August 2020		14	286,176	67,900	333,711	687,801
Period ended 29 August 2021:						
Profit and total comprehensive income for the period		-	-	-	77,680	77,680
Credit to equity for equity settled share-based payments	24	-	-	-	18,310	18,310
Balance at 29 August 2021		14	286,176	67,900	429,701	783,791
Period ended 28 August 2022:						
Profit and total comprehensive income for the period		-	-	-	95,255	95,255
Dividends	10	-	-	-	(100,000)	(100,000)
Credit to equity for equity settled share-based payments	24	-	-	-	24,224	24,224
Balance at 28 August 2022		14	286,176	67,900	449,180	803,270

The accompanying notes on pages 23 - 42 are an integral part the financial statements.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

		Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000	£'000
Balance at 31 August 2020		14	286,176	67,900	(30,752)	323,338
Period ended 29 August 2021:						
Profit and total comprehensive income for the period		-	-	-	-	-
Balance at 29 August 2021		14	286,176	67,900	(30,752)	323,338
Period ended 28 August 2022:						
Profit and total comprehensive income for the period		-	-	-	131,000	131,000
Dividends	10	-	-	-	(100,000)	(100,000)
Balance at 28 August 2022		14	286,176	67,900	248	354,338

The accompanying notes on pages 23 - 42 are an integral part the financial statements.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS**
GROUP STATEMENT OF CASH FLOWS
FOR THE 52 WEEKS ENDED 28 AUGUST 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	33		164,560		93,838
Interest payable and similar charges			(245)		234
Income taxes paid			(24,835)		(10,449)
Net cash inflow from operating activities			139,480		83,623
Investing activities					
Purchase of intangible assets	11	(550)		(1,107)	
Purchase of tangible fixed assets	12	(24,088)		(18,366)	
Proceeds on disposal of tangible fixed assets		1		1	
Net movement in deposits and withdrawals in savings account		-		(10,000)	
Interest receivable and similar income		1,730		-	
Net cash used in investing activities			(22,907)		(29,472)
Financing activities					
Dividends paid to equity shareholders		(100,000)		-	
Net cash used in financing activities			(100,000)		-
Net increase in cash and cash equivalents			16,573		54,151
Cash and cash equivalents at beginning of 52 weeks			258,373		204,222
Cash and cash equivalents at end of 52 weeks			274,946		258,373

The accompanying notes on pages 23 - 42 are an integral part of this consolidated cash flow statement.

COSTCO UK HOLDINGS LIMITED AND GROUP UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 AUGUST 2022

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 30 August 2021 to 28 August 2022. Comparative figures are shown for 31 August 2020 to 29 August 2021.

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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

1 Accounting policies

(Continued)

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 28 August 2022. 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.

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.

The company and group will have sufficient funds to meet its liabilities as they fall due. Both at 28 August 2022 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 directors have prepared cash flow forecasts for a period of twelve months from the date of signing these financial statements which indicate that, even when considering the severe but plausible downsides, such as reduced spending by our members and the impact of rising inflation, supply chain challenges and potential changes in consumer spending behaviour. The company and group will have sufficient funds to meet its liabilities as they fall due. The group and company does not have any external debtor covenants. The Group continues to be cash generative and has seen revenue and profit growth year on year, this trend has continued post year end and it is the directors expectation that this will continue into the period of at least twelve months from the date of signing these financial statements.

Based on current trading conditions and also factoring in the financial impact of the future uncertainties, both positive and negative, arising from changes to the macroeconomic environment 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:

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

1 Accounting policies

(Continued)

Freehold land and buildings	15-50 years
Leasehold improvements	20-30 years
Fixtures and fittings	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.

1.7 Investments

The Company balance sheet investments relates to investments in subsidiaries which are shown at cost less provision for impairment. The group balance sheet contains investments which relates to deposits in savings accounts which are measured at amortised cost.

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 on hand and at bank

Cash on hand and at bank comprise cash balances and call deposits.

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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

1 Accounting policies

(Continued)

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.

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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

1 Accounting policies

(Continued)

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.

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 21 Provisions for liabilities and charges as historic data is used to predict future costs. 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

	2022	2021
	£'000	£'000
Turnover analysed by geographical market		
UK	4,145,203	3,522,427
European Union	11,549	19,546
Other	36,395	39,827
	<u>4,193,147</u>	<u>3,581,800</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

3 Turnover and other revenue

(Continued)

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

	2022	2021
	£'000	£'000
Operating profit for the period is stated after charging:		
Depreciation of owned tangible fixed assets	24,951	25,383
Loss on disposal of tangible fixed assets	51	127
Amortisation of intangible assets	1,148	898
Share-based payments	24,224	18,310
FX Gain	14,882	2,613
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2022	2021
	£'000	£'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	3	3
Audit of the financial statements of the company's subsidiaries	165	160
	<u> </u>	<u> </u>
	168	163
	<u> </u>	<u> </u>
For other services		
Audit-related assurance services	-	24
Other taxation services	-	3
	<u> </u>	<u> </u>
	-	27
	<u> </u>	<u> </u>

6 Employees

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

	Group	
	2022	2021
	Number	Number
Operations	7,637	7,331
Merchandising	162	167
Administration	265	260
	<u> </u>	<u> </u>
Total	8,064	7,758
	<u> </u>	<u> </u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

6 Employees

(Continued)

Their aggregate remuneration comprised:

	Group	
	2022	2021
	£'000	£'000
Wages and salaries	234,822	238,147
Social security costs	21,869	20,159
Pension costs	11,439	11,267
	<u>268,130</u>	<u>269,573</u>

There were no employees other than directors in the company.

Directors' remuneration:

During the period, no director was remunerated through the company (2021 : £Nil). The notional cost of directors not remunerated through the company has been considered and is deemed to be trivial for the period ended 28 August 2022 nor for the period ended 29 August 2021 .

7 Interest receivable and similar income

	2022	2021
	£'000	£'000
Interest income		
Interest receivable on financial assets at amortised cost	1,689	234
Other interest income	41	18
	<u>1,730</u>	<u>252</u>
Total interest income		
	1,730	252
Other income from investments		
Net gain on financial assets/ liabilities measured at fair value	16,911	7,530
	<u>18,641</u>	<u>7,782</u>
Total income		
	<u>18,641</u>	<u>7,782</u>

Investment income includes the following:

Interest receivable on financial assets at amortised cost	1,689	234
Net gain financial liabilities measured at fair value through profit or loss	16,911	7,530
	<u>18,600</u>	<u>7,764</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

8 Interest payable and foreign exchange loss

	2022 £'000	2021 £'000
Interest on financial liabilities and foreign exchange loss:		
Interest on bank overdrafts and loans	22	11
Net loss on financial assets/liabilities measured at fair value	-	777
	<u>22</u>	<u>788</u>
Other finance costs:		
Other interest	223	16
	<u>245</u>	<u>804</u>

9 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	19,672	14,997
Adjustments in respect of prior periods	1,687	(1,598)
	<u>21,359</u>	<u>13,399</u>
Deferred tax		
Origination and reversal of timing differences	4,265	303
	<u>25,624</u>	<u>13,702</u>

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:

	2022 £'000	2021 £'000
Profit before taxation	<u>120,879</u>	<u>91,382</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	22,967	17,363
Expenses not deductible for tax purpose	55	1,699
Non-taxable income	(58)	(3,691)
Prior period adjustment	1,687	(1,599)
Impact of changes in tax rates	973	(70)
	<u>25,624</u>	<u>13,702</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

9 Taxation

(Continued)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 28 Aug 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences (2021:19%).

10 Dividends

	2022	2021
	£'000	£'000
Dividend received	131,000	-
Dividend paid	(100,000)	-
	<u> </u>	<u> </u>

11 Intangible fixed assets

Group	Software
	£'000
Cost	
At 30 August 2021	4,237
Additions	550
Disposals	(398)
	<u> </u>
At 28 August 2022	4,389
	<u> </u>
Amortisation and impairment	
At 30 August 2021	909
Amortisation charged for the 52 weeks	1,148
Disposals	(398)
	<u> </u>
At 28 August 2022	1,659
	<u> </u>
Carrying amount	
At 28 August 2022	2,730
	<u> </u>
At 29 August 2021	3,328
	<u> </u>

The company had no intangible fixed assets at 28 August 2022 or 29 August 2021.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

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 30 August 2021	559,720	79,334	7,653	130,663	777,370
Additions	4,570	369	8,893	10,256	24,088
Disposals	-	-	-	(2,438)	(2,438)
Transfers	11,799	-	(11,799)	-	-
At 28 August 2022	576,089	79,703	4,747	138,481	799,020
Depreciation and impairment					
At 30 August 2021	160,440	22,906	-	100,579	283,925
Depreciation charged in the 52 weeks	10,842	2,037	-	12,072	24,951
Eliminated in respect of disposals	-	-	-	(2,387)	(2,387)
At 28 August 2022	171,282	24,943	-	110,264	306,489
Carrying amount					
At 28 August 2022	404,807	54,760	4,747	28,217	492,531
At 29 August 2021	399,280	56,428	7,653	30,084	493,445

The company had no tangible fixed assets at 28 August 2022 or 29 August 2021.

Freehold land amounting to £213,815,503 (2021 : £213,815,503) and long leasehold land amounting to £ 34,646,998 (2021 : £ 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 (2021 : £2,182,000).

13 Fixed asset investments

		Group		Company	
Notes		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Investments in subsidiaries	14	-	-	355,131	324,131

During the financial period the company bought 1 ordinary share of £1 in Costco Wholesales UK Ltd for £31.0m

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

13 Fixed asset investments

(Continued)

**Movements in fixed asset investments
Company**

**Shares in
group
undertakings
£'000**

Cost or valuation

At 30 August 2021

324,131

Additions

31,000

At 28 August 2022

355,131

Carrying amount

At 28 August 2022

355,131

At 29 August 2021

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 28 August 2022 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 28 AUGUST 2022**

16 Financial instruments

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	98,220	54,619	-	-
Investments in saving deposits	70,000	70,000	-	-
Derivative assets measured at fair value through profit & Loss	14,984	3,390	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at amortised cost	484,685	405,011	793	793
Derivative liabilities measured at fair value through profit & Loss	102	777	-	-
	<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	
	2022	2021
	£'000	£'000
Finished goods and goods for resale	389,176	339,079
	<u> </u>	<u> </u>

There were no stocks held in the company.

Stocks are shown after provisions for impairment of £2,479,117 (2021:£5,298,748).

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

18 Debtors

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	34,475	30,771	-	-
Amounts owed by group undertakings	33,245	19,856	-	-
Other debtors	28,537	3,505	-	-
Prepayments and accrued income	3,364	4,265	-	-
	<u>99,621</u>	<u>58,397</u>	<u>-</u>	<u>-</u>

Amount owed by group undertakings are non-interest bearing and payable on demand.

Amounts falling due after more than one year:

Deferred tax asset (note 22)	-	8,109	-	-
	<u>-</u>	<u>8,109</u>	<u>-</u>	<u>-</u>
Total debtors	<u>99,621</u>	<u>66,506</u>	<u>-</u>	<u>-</u>

19 Current asset investments

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Investments in saving deposits	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>-</u>

20 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	221,036	190,158	-	-
Amounts owed to group undertakings	32,532	21,268	793	793
Corporation tax payable	1,835	5,311	-	-
Other taxation and social security	25,480	21,160	-	-
Other creditors	15,452	18,003	-	-
Accruals and deferred income	215,665	175,582	-	-
	<u>512,000</u>	<u>431,482</u>	<u>793</u>	<u>793</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

20 Creditors: amounts falling due within one year

(Continued)

Amounts owed to group undertakings are non-interest bearing and payable on demand.

During the period the group and the company had in place an uncommitted money market line of £20,000,000, an overdraft limit of £30,000,000 and engagements of £15,000,000 with its principal bankers HSBC Bank plc. At 28 August 2022 £Nil (2021: £Nil) was drawn and due within one year.

21 Provisions for liabilities

		Group	
	Notes	2022 £'000	2021 £'000
Self insurance and warranty costs		9,760	7,640
Deferred tax liabilities	22	3,974	7,818
		<u>13,734</u>	<u>15,458</u>

Of the self insurance and warranty cost provision, £1,551k relates to self insurance (2021: £1,219k)

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

	Self Insurance £'000	Warranty costs £'000	Total £'000
Group			
At 30 August 2021	1,219	6,421	7,640
Additional provisions in the year	559	2,423	2,982
Utilisation of provision	(227)	(635)	(862)
At 28 August 2022	<u>1,551</u>	<u>8,209</u>	<u>9,760</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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

22 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
	2022	2021	2022	2021
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	9,017	8,849	9,946	666
Other timing difference	4,903	(1,031)	-	7,443
	<u>13,920</u>	<u>7,818</u>	<u>9,946</u>	<u>8,109</u>

The company has no deferred tax assets or liabilities.

	Group	Company
	2022	2022
	£'000	£'000
Movements in the 52 weeks:		
Asset at 30 August 2021	(291)	-
Charge to profit or loss	4,265	-
Liability at 28 August 2022	<u>3,974</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.

The group has a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets and liabilities relate to income taxes levied by the same taxation authority. The group intends to settle the current asset and liability on a net basis. Therefore, a net deferred tax liability has been presented in the face of the balance sheet.

23 Retirement benefit schemes

	2022	2021
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>11,439</u>	<u>11,267</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.

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

24 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:

Group	Number of RSU		Weighted average exercise price	
	2022 Number	2021 Number	2022 £'000	2021 £'000
Outstanding at 30 August 2021	226,109	266,659	199.49	158.67
Granted	65,995	82,254	351.86	270.30
Forfeited	(3,664)	(7,033)	249.32	209.60
Exercised	(103,281)	(115,771)	200.75	155.57
Outstanding at 28 August 2022	185,159	226,109	365.89	288.08

The weighted average share price at the date of exercise for RSUs exercised during the period was £365.89 (2021 : £288.08). The weighted average fair value of RSUs granted to date is £91.68. 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 Share capital

	Group and company	
	2022 £'000	2021 £'000
Ordinary share capital		
Issued and fully paid		
13,965 of £1 each	14	14

26 Share premium account

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
At the beginning and end of the 52 weeks	286,176	286,176	286,176	286,176

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

27 Other reserves

Group	£'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
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.

28 Profit and loss reserves

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At the beginning of the 52 weeks	429,701	333,711	(30,752)	(30,752)
Profit for the 52 weeks	95,255	77,680	131,000	-
Dividends	(100,000)	-	(100,000)	-
Share based payment transactions	24,224	18,310	-	-
At the end of the 52 weeks	449,180	429,701	248	(30,752)

At 28 August 2022 the cumulative goodwill written off against profit and loss account reserve for businesses acquired prior to 3 September 1995 was £535,000 (2021 : £535,000).

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

29 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group	
	2022	2021
	£'000	£'000
Within one year	7,563	6,909
Between two and five years	29,628	30,087
In over five years	68,268	75,372
	<u>105,459</u>	<u>112,368</u>

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.

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Acquisition of tangible fixed assets	<u>1,350</u>	<u>5,266</u>	<u>-</u>	<u>-</u>

31 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022	2021
	£'000	£'000
Aggregate compensation	<u>2,644</u>	<u>2,197</u>

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

31 Related party transactions

(Continued)

The ultimate controlling party is considered to be 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 £ 34,636 were recharged to the company by Crick Management Company Limited. At the end of the period £ nil was due from the company to Crick Management Company Limited

At the end of the period there was £18,336 owed to the company from Crick Management Company Limited.

There are no other related party transactions except mentioned above.

32 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.

33 Cash generated from group operations

	2022	2021
	£'000	£'000
Profit for the 52 weeks after tax	95,255	77,680
Adjustments for:		
Share of results of associates and joint ventures	-	-
Taxation charged	25,624	13,702
Interest payable and similar charges	245	804
Interest receivable and similar income	(18,641)	(7,782)
Loss on disposal of tangible fixed assets	50	127
Amortisation and impairment of intangible assets	1,148	898
Depreciation and impairment of tangible fixed assets	24,951	25,383
Equity settled share based payment expense	24,224	18,310
Increase in provisions	2,120	1,684
Movements in working capital:		
Increase in stocks	(50,097)	(55,626)
Increase in debtors	(24,313)	(16,747)
Increase in creditors	83,994	35,405
Cash generated from operations	164,560	93,838

**COSTCO UK HOLDINGS LIMITED
AND GROUP UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE 52 WEEKS ENDED 28 AUGUST 2022**

34 Analysis of changes in net funds - group

	30 August 2021	Cash flows	28 August 2022
	£'000	£'000	£'000
Cash at bank and in hand	258,373	16,573	274,946

35 Post balance sheet events

Shortly after the period end, an operating lease relating to the Sunbury site was purchased outright and subsequently capitalised. The remaining total operating lease liability relating to the site was £31,253,953.

In addition the group had contractual commitments of £ Nil (2021 : £ Nil) 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.