

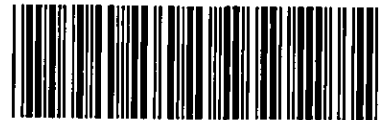
Costco Limited

Financial Statements for the 52 weeks ended 31st August 2008

together with directors' and auditor's reports

Registered Number: 2776034

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Directors' Report

For the 52 weeks ended 31st August 2008

The directors present their annual report on the affairs of Costco Limited together with the financial statements for the 52 weeks ended 31st August 2008. Comparatives are stated for 52 weeks ended 2nd September 2007.

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

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The company financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Principal Activity and Business Review

The company is a wholly owned subsidiary of Costco Wholesale UK Limited which is engaged in operating cash & carry membership warehouses.

The principal activity of the company has been the acquisition and holding of some freehold and long leasehold land and buildings for the group operations and subsequent operating leaseback to the operating company, Costco Wholesale UK Limited. During the period the operating company surrendered the lease on one of the properties owned by the company. The company also acquired the freehold interest in one of its properties, which was previously part leased, for a nominal value.

Directors are currently reviewing the property structure of the UK group including Costco Limited with a view to evaluating if there is a continued need to have part of group property portfolio in a separate company.

Key Performance indicators and outlook

Directors use the turnover, profit before tax and retained profit as the key performance indicators. Decrease in rental income arose from surrender of the lease on one of the properties leased to the operating company.

Under the current lease contracts held by the company future rental income is expected to remain steady for the foreseeable future, subject to any impact from changes in the group property structure.

Directors' Report (continued)

Directors and their Interests

The directors who served during the period were as follows:

Magan K. Chauhan
James P. Murphy
Stephen M. Pappas

None of the directors had any interests in the shares of the company during the period.

Disclosure of information to auditors

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

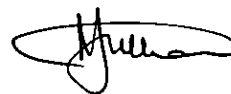
Auditors

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

By order of the board

UK Home Office,
Hartspring Lane,
Watford,
Herts, WD25 8JS.

Date: 16th January 2009



Magan K. Chauhan
Company Secretary

Independent auditor's report to the members of Costco Limited

We have audited the financial statements (the "financial statements") of Costco Limited for the period ended 31st August 2008 which comprises the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st August 2008 and of the profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants and Registered Auditor

Date:

Aquis Court
31 Fishpool Street, St Albans
AL3 4RF
United Kingdom

16 January 2009

Profit and Loss Account**For the 52 weeks ending 31st August 2008**

	Notes	2008 £'000	2007 £'000
Turnover	1	8,223	16,965
Cost of sales		-	-
Gross profit		8,223	16,965
Other operating expenses	2	(2,640)	(5,279)
Operating profit		5,583	11,686
Profit on disposal of property		-	617
Profit on ordinary activities before taxation	3	5,583	12,303
Tax on profit on ordinary activities	4	(760)	(5,062)
Profit for the financial period		4,823	7,241

There are no recognised gains or losses in either period other than the result for each period.

All operations of the company continued throughout the current period. No operations were acquired or disposed under either financial periods.

The accompanying notes are an integral part of this consolidated profit and loss account.

Balance Sheet**At 31st August 2008**

	Notes	2008 £'000	2007 £'000
Fixed Assets			
Tangible assets	5	17,705	201,244
Current Assets			
Debtors	6	173,492	-
Creditors: Amounts falling due within one year	7	-	(13,362)
Net current assets / (liabilities)		173,492	(13,362)
Total assets less current liabilities		191,197	187,882
Provisions for liabilities and charges	8	(531)	(2,039)
Net assets		190,666	185,843
Capital and reserves			
Called-up share capital	9	2,000	2,000
Share premium account	10	137,498	137,498
Profit and loss account	10	51,168	46,345
Shareholders' funds	11	190,666	185,843

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



Stephen M. Pappas
Director

Date: 16th January 2009

The accompanying notes are an integral part of this balance sheet.

Statement of Accounting Policies

For the 52 weeks ended 31st August 2008

Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the preceding period. The accounting period covers the 52 weeks ended 31st August 2008. Comparative figures are as shown for the 52 weeks ended 2nd September 2007.

a) *Basis of accounting*

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

b) *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, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold and long leasehold buildings	15-50 years
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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.

c) *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 timing 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 at the balance sheet date.

d) *Turnover*

Turnover comprises rent receivable on property leases (excluding VAT and similar taxes) on an accruals basis.

e) *Cashflow Statement*

Under the provisions of FRS1, the company has not prepared a cash flow statement because it is a wholly owned subsidiary undertaking of a company registered in England & Wales which has prepared consolidated financial statements which include the subsidiary undertaking.

Notes to the Financial Statements

For the 52 weeks ended 31st August 2008

1. Turnover

Turnover comprises rental income from property leases with parent undertakings arising wholly in the UK.

2. Other operating expenses	2008	2007
	£000	£000

Administrative expenses	2,640	5,279
	<u> </u>	<u> </u>

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2008	2007
	£'000	£'000
Depreciation of owned tangible fixed assets	2,640	5,234
	<u> </u>	<u> </u>

Audit fees for the company are borne by the parent company.

4. Tax on profit on ordinary activities

	2008	2007
	£'000	£'000
a) Analysis of tax charge in the period		
UK Corporation Tax		
Current tax on income for the period at 29.16% (2007 – 30%)	2,268	4,759
Adjustment in respect of prior period	-	-
	<u> </u>	<u> </u>
Total current tax	2,268	4,759
Deferred tax (note 8)	(1,508)	303
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>760</u>	<u>5,062</u>

Notes to the Financial Statements (continued)

For the 52 weeks ended 31st August 2008

4. Tax on profit on ordinary activities (continued)

b) Factors affecting tax charge for the period

The tax assessed for the period is different to the standard UK corporation tax of 29.16%. The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	5,583	12,303
Current tax at 29.16% (2007 – 30%)	1,628	3,691
<i>Effects of</i>		
Capital allowances less than depreciation	640	1,253
Rollover relief on profit on property disposal	-	(185)
Total current tax	2,268	4,759

Under the Finance Act 2007 the rate of UK corporation tax changed from 30% to 28% as from 1st April 2008. The UK corporation tax for the period was 30% up to 31st March 2008 and 28% thereafter and therefore a hybrid rate of 29.16% has been used for this period. The change in corporation tax will affect the tax payable in future periods but the effect is unlikely to be material.

Notes to the Financial Statements (continued)

For the 52 weeks ended 31st August 2008

5. Tangible fixed assets

	Long Leasehold Land & Buildings	Freehold Land & Buildings	Total
	£'000	£'000	£'000
Cost			
Beginning of period	44,842	189,764	234,606
Transfer to group undertakings	(44,842)	(169,605)	(214,447)
End of period	-	20,159	20,159
Depreciation			
Beginning of period	4,977	28,385	33,362
Charge	374	2,266	2,640
Transfers to group undertakings	(5,351)	(28,197)	(33,548)
End of period	-	2,454	2,454
Net book value			
Beginning of period	39,865	161,379	201,244
End of period	-	17,705	17,705

Freehold land amounting to £7,090,000 (2007 - £74,026,000) and long leasehold land amounting to £nil (2007 - £4,104,000) have not been depreciated.

6. Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Amounts owed to group undertakings	173,492	-

7. Creditors: Amounts falling due within one year

	2008 £'000	2007 £'000
Amounts owed to group undertakings	-	13,362

Notes to the Financial Statements (continued)

For the 52 weeks ended 31st August 2008

8.	Provisions for liabilities and charges	2008 £'000	2007 £'000
	Deferred tax – fixed asset timing difference		
	Beginning of period	2,039	1,736
	Credit for the period – in respect of capital allowances	(1,508)	303
	End of period	<u>531</u>	<u>2,039</u>
9.	Called-up share capital	2008 £'000	2007 £'000
	Authorised, allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
10.	Reserves		
	<i>Movement in the period</i>		
		Share Premium Account £'000	Profit & Loss Account £'000
	Beginning of period	137,498	46,345
	Profit for the period	-	4,823
	End of period	<u>137,498</u>	<u>51,168</u>
11.	Reconciliation of movement in shareholders' funds	2008 £'000	2007 £'000
	Profit for the financial period	4,823	7,241
	Net addition to shareholders' funds	<u>4,823</u>	<u>7,241</u>
	Opening shareholders' funds	185,843	178,602
	Closing shareholders' funds	<u>190,666</u>	<u>185,843</u>

Notes to the Financial Statements (continued)

For the 52 weeks ended 31st August 2008

12. Related party transactions

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

As 100% of the Company's voting rights are controlled within the group headed by Costco Wholesale Corporation, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group headed by Costco Wholesale Corporation.

13. Ultimate parent company

The immediate parent company is Costco Wholesale UK Limited, which heads up the smallest group to consolidate these financial statements. Copies of Costco Wholesale UK Limited financial statements are available to the public and can be obtained from UK Home Office, Hartspring Lane, Watford, WD25 8JS.

The ultimate parent company and controlling party is Costco Wholesale Corporation incorporated in the U.S.A., which is the parent undertaking of 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..