

**Costco Limited**

**Financial Statements for the 52 weeks ended 29<sup>th</sup> August 2010**

**together with directors' and auditor's reports**

**Registered Number: 2776034**



---

## **Contents**

	<b>Page</b>
Directors' Report	1 - 2
Independent Auditors' Report	3-4
Profit and Loss Account	5
Balance Sheet	6
Statement of Accounting Policies	7
Notes to Financial Statements	8 - 11

## **Directors' Report**

**For the 52 weeks ended 29<sup>th</sup> August 2010**

The directors present their annual report on the affairs of Costco Limited together with the financial statements for the 52 weeks ended 29<sup>th</sup> August 2010. Comparatives are stated for 52 weeks ended 30<sup>th</sup> August 2009.

### **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).

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 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company 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 land and buildings for the group operations and subsequent operating leaseback to the operating company, Costco Wholesale UK Limited.

Directors continue to review the property structure of the UK group, including Costco Limited, and are currently evaluating if there is a continued need to have the remaining property in a separate company.

### **Key Performance indicators and outlook**

Directors use the turnover, profit before tax and retained profit as the key performance indicators. Rental income was consistent with the prior year as the property leased to the operating company has a fixed annual rent which was unchanged.

Under the current lease contract 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**

The directors who served during the period were as follows

Magan K Chauhan  
James P Murphy  
Stephen M Pappas

### **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

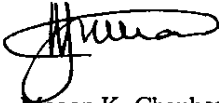
### **Auditors**

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 17<sup>th</sup> December 2010



Magan K Chauhan  
Company Secretary

## **Independent auditor's report to the members of Costco Limited**

We have audited the financial statements of Costco Limited for the period ended 29<sup>th</sup> August 2010. The financial reporting framework that's has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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 auditors' 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 opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 29<sup>th</sup> August 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



**Matt Lewis (Senior Statutory Auditor)**

**For and on behalf of KPMG LLP**

**Chartered Accountants**

**Date:** 17 December 2010

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

## **Profit and Loss Account**

**For the 52 weeks ending 29<sup>th</sup> August 2010**

	Notes	2010 £'000	2009 £'000
<b>Turnover</b>	<b>1</b>	1,176	1,176
Cost of sales		-	-
<b>Gross profit</b>		1,176	1,176
Other operating expenses	<b>2</b>	(417)	(417)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	759	759
Tax on profit on ordinary activities	<b>4</b>	(282)	(364)
<b>Profit for the financial period</b>		477	395

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 profit and loss account.

**Balance Sheet****At 29<sup>th</sup> August 2010**

	Notes	2010 £'000	2009 £'000
<b>Fixed Assets</b>			
Tangible assets	5	16,871	17,288
<b>Current Assets</b>			
Debtors	6	175,155	174,285
<b>Total assets less current liabilities</b>		192,026	191,573
<b>Provisions for liabilities and charges</b>	7	(488)	(512)
<b>Net assets</b>		191,538	191,061
<b>Capital and reserves</b>			
Called-up share capital	8	2,000	2,000
Share premium account	9	137,498	137,498
Profit and loss account	9	52,040	51,563
<b>Shareholders' funds</b>	10	191,538	191,061

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



Stephen M Pappas  
Director

Date 17<sup>th</sup> December 2010

The accompanying notes are an integral part of this balance sheet  
Registered Number 2776034



## Statement of Accounting Policies

For the 52 weeks ended 29<sup>th</sup> August 2010

### 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 29<sup>th</sup> August 2010. Comparative figures are as shown for the 52 weeks ended 30<sup>th</sup> August 2009.

*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 buildings	15-50 years
--------------------	-------------

*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 or substantially 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 29<sup>th</sup> August 2010

### 1. Turnover

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

2.	<b>Other operating expenses</b>	2010 £000	2009 £000
----	---------------------------------	--------------	--------------

Administrative expenses	417	417
-------------------------	-----	-----

### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2010 £'000	2009 £'000
Depreciation of owned tangible fixed assets	417	417

Audit fees for the company are borne by the parent company

### 4. Tax on profit on ordinary activities

	2010 £'000	2009 £'000
<b>a) Analysis of tax charge in the period</b>		
UK Corporation Tax		
Current tax on income for the period at 28% (2009 – 28%)	306	299
Adjustment in respect of prior periods	-	84
Total current tax	306	383
Deferred tax (note 7)	(24)	(19)
Tax on profit on ordinary activities	282	364

#### b) Factors affecting tax charge for the period

The tax assessed for the period is different to the standard UK corporation tax of 28%. The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	759	759
Current tax at 28% (2009 – 28%)	213	213
<i>Effects of</i>		
Capital allowances less than depreciation	93	86
Adjustment in respect of prior periods	-	84
Total current tax	306	383

# Notes to the Financial Statements (continued)

For the 52 weeks ended 29<sup>th</sup> August 2010

## 5. Tangible fixed assets

	Freehold Land & Buildings
	£'000
<b>Cost</b>	
Beginning and end of period	20,159
	-----
<b>Depreciation</b>	
Beginning of period	2,871
Charge for the period	417
	-----
End of period	3,288
	-----
<b>Net book value</b>	
Beginning of period	17,288
	=====
End of period	16,871
	=====

Freehold land amounting to £7,090,000 (2009 - £7,090,000) has not been depreciated

## 6. Debtors

	2010 £'000	2009 £'000
Amounts falling due within one year		
Amounts owed to group undertakings	175,155	174,285
	=====	=====

## 7. Provisions for liabilities and charges

	2010 £'000	2009 £'000
Deferred tax – fixed asset timing difference		
Beginning of period	512	531
Credit for the period	(24)	(19)
	-----	-----
End of period	488	512
	=====	=====

## Notes to the Financial Statements (continued)

For the 52 weeks ended 29<sup>th</sup> August 2010

<b>8</b>	<b>Called-up share capital</b>		
		2010 £'000	2009 £'000
	Allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	2,000	2,000
<b>9.</b>	<b>Reserves</b>		
	<i>Movement in the period</i>		
		Share Premium Account £'000	Profit & Loss Account £'000
	Beginning of period	137,498	51,563
	Profit for the period	-	477
	End of period	137,498	52,040
<b>10.</b>	<b>Reconciliation of movement in shareholders' funds</b>		
		2010 £'000	2009 £'000
	Profit for the financial period	477	395
	Net addition to shareholders' funds	477	395
	Opening shareholders' funds	191,061	190,666
	Closing shareholders' funds	191,538	191,061

## 11. 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.

**Notes to the Financial Statements (continued)**

**For the 52 weeks ended 29<sup>th</sup> August 2010**

**12. 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. 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.