

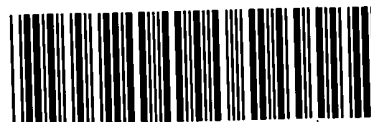
**Costco Limited**

**Financial Statements for the 53 weeks ended 3<sup>rd</sup> September 2017**

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

**Registered Number: 2776034**

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## **Directors' Report**

**for the 53 weeks ended 3<sup>rd</sup> September 2017**

The directors present their annual report on the affairs of Costco Limited together with the financial statements and auditor's report, for the 53 weeks ended 3<sup>rd</sup> September 2017. Comparatives are stated for 52 weeks ended 28<sup>th</sup> August 2016.

### **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), 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 company and of the profit or loss of the company 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; and
- 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 the financial statements comply with the Companies Act 2006. They have 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 the Costco Wholesale UK Limited group which is engaged in operating cash & carry membership warehouses.

The principal activity of the company has been the holding of a freehold property for the group's operations and subsequent leaseback to the operating company, Costco Wholesale UK Limited.

The 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**

The directors use the turnover, profit before tax and retained profit as the key performance indicators. Rental income was consistent with the prior period 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 auditor**

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

**Auditor**

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

**By order of the board**

UK Home Office  
Hartspring Lane  
Watford  
Hertfordshire  
WD25 8JS

Date: 5/3/18



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 53 week s period ended 3<sup>rd</sup> September 2017 set out on pages 4 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

### **Respective responsibilities of directors and auditor**

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, and express an opinion on, 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 3<sup>rd</sup> September 2017 and of its profit for the 53 weeks 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### **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; or
- the directors were not entitled not to prepare a strategic report, in accordance with the small companies regime.



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

Date: 9/3/18

**Profit and Loss Account and Other Comprehensive Income****for the 53 weeks ended 3<sup>rd</sup> September 2017**

	Notes	2017 £'000	2016 £'000
<b>Turnover</b>	1	1,176	1,176
Cost of sales		-	-
<b>Gross profit</b>		1,176	1,176
Other operating expenses	2	-	(1,000)
<b>Profit on ordinary activities before taxation</b>	3	1,176	176
Tax on profit on ordinary activities	4	(202)	(11)
<b>Profit for the financial period</b>		974	165
Other Comprehensive Income for the period		-	-
<b>Total Comprehensive Income for the period</b>		974	165

There were 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 during either financial period.

The accompanying notes on pages 7 to 12 are an integral part of this profit and loss account.

**Balance Sheet****At 3<sup>rd</sup> September 2017**

	Notes	2017 £'000	2016 £'000
<b>Fixed Assets</b>			
Investment property	5	23,500	23,500
		-----	-----
<b>Current Assets</b>			
Debtors	6	181,579	180,630
		-----	-----
<b>Total assets less current liabilities</b>		205,079	204,130
<b>Provisions for liabilities and charges</b>	7	(1,635)	(1,660)
		-----	-----
<b>Net assets</b>		203,444	202,470
		=====	=====
<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	63,946	62,972
		-----	-----
<b>Shareholders' funds</b>	10	203,444	202,470
		=====	=====

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



Stephen M. Pappas  
Director

Date: 5/3/18

The accompanying notes on pages 7 to 12 are an integral part of this balance sheet.

# **Statement of Changes In Equity**

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 31 <sup>st</sup> August 2015	2,000	137,498	62,807	202,305
<b>Total comprehensive income for the period</b>				
Profit for the financial period	-	-	165	165
<b>Balance at 28<sup>th</sup> August 2016</b>	<u>2,000</u>	<u>137,498</u>	<u>62,972</u>	<u>202,470</u>
Balance at 28 <sup>th</sup> August 2016	2,000	137,498	62,972	202,470
<b>Total comprehensive income for the period</b>				
Profit for the financial period	-	-	974	974
<b>Balance at 3<sup>rd</sup> September 2017</b>	<u>2,000</u>	<u>137,498</u>	<u>63,946</u>	<u>203,444</u>

The accompanying notes on pages 7 to 12 form an integral part of this statement of changes in equity.



## Statement of Accounting Policies

for the 53 weeks ended 3<sup>rd</sup> September 2017

### Accounting policies

Costco Limited (the “Company”) is a company limited by shares and registered in England and Wales.

The principal accounting policies are summarised below. The accounting period covers the 53 weeks ended 3<sup>rd</sup> September 2017. Comparative figures are shown for the 52 weeks ended 28<sup>th</sup> August 2016.

These 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 September 2015. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company’s parent undertaking, Costco Wholesale UK Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Costco Wholesale UK Limited are available to the public and may be obtained from UK Home Office, Hartspring Lane, Watford, WD25 8JS. In these financial statements the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5 Investment property.

#### a) Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

#### b) Going Concern

The Company receives stable rental income from another Group company. On conversion to FRS 102 the Company reclassified the property held in tangible fixed assets at historic cost and depreciated on a straight line basis to an investment property that is held at fair value and revalued through profit and loss each period. This introduces volatility to the profit and loss account, although there are sufficient net assets within the Company for this volatility not to have a material impact on the Company’s financial position. The directors therefore consider it appropriate to prepare these financial statements on a going concern basis.

#### c) Basic financial instruments

##### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less 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.

#### d) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise. No depreciation is provided in respect of investment properties applying the fair value model.

**Statement of Accounting Policies (continued)**

**for the 53 weeks ended 3<sup>rd</sup> September 2017**

**e) 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. For investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the property.

**f) Turnover**

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

## Notes to the Financial Statements

for the 53 weeks ended 3<sup>rd</sup> September 2017

### 1. Turnover

Turnover comprises rental income from a property lease with the parent undertaking arising wholly in the UK.

### 2. Other operating expenses

	2017 £'000	2016 £'000
Fair value adjustment for investment property	-	1,000
	-----	-----

### 3. Expenses and auditor's remuneration

Profit on ordinary activities before taxation is stated after charging:

	2017 £'000	2016 £'000
Property revaluation	-	1,000
	-----	-----

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

None of the directors received any remuneration (2016 - £Nil) in respect of their services to the company. There were no pension contributions (2016 - £Nil) in relation to directors' services to the company.

### 4. Taxation

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

	2017 £'000	2016 £'000
UK Corporation Tax at 19.58% (2016 – 20%)		
Current tax on income for the period	227	231
	-----	-----
Total current tax	227	231
Deferred tax (note 7)	(25)	(220)
	-----	-----
Tax on profit on ordinary activities	202	11
	=====	=====

## Notes to the Financial Statements (continued)

for the 53 weeks ended 3<sup>rd</sup> September 2017

### 4. Taxation (continued)

#### *b) Reconciliation of effective tax rate*

The tax assessed for the period is different to the standard UK corporation tax rate of 20%. The differences are explained below:

	2017 £'000	2016 £'000
Profit for the period	974	165
Total tax expense	202	11
	<hr/>	<hr/>
Profit excluding taxation	1,176	176
Current tax at 19.58% (2016 – 20%)	230	35
<i>Effects of</i>		
Capital allowances (more)/less than depreciation	(28)	(54)
Revaluation of property not deductible for tax purposes	-	30
	<hr/>	<hr/>
Total tax expense included in profit	202	11
	<hr/>	<hr/>

#### *c) Factors affecting the tax charge in future periods*

On 8 July 2015 the Chancellor announced a reduction in the main rate of UK Corporation Tax to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted on 18 November 2015. On 16 March 2016 the Chancellor announced that the UK Corporation Tax rate will reduce to 17% from 1 April 2020, instead of the previously announced 18%. This change was substantively enacted on 15 September 2016.

The deferred tax at the balance sheet date has been calculated based on the rate of 17% which was substantively enacted at the date these financial statements were approved.

### 5. Investment Property

	£'000
<b>Fair Value</b>	
Balance at 28 <sup>th</sup> August 2016	23,500
Property revaluation	-
	<hr/>
Balance at 3 <sup>rd</sup> September 2017	23,500
	<hr/>
Historical cost net book value	13,950
	<hr/>

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

**for the 53 weeks ended 3<sup>rd</sup> September 2017**

**5. Investment Property (continued)**

£23,500,000 (2016: £23,500,000) of investment property fair value is based on a valuation by management of Costco Ltd, who have relevant qualifications and experience in property valuation. In the prior year the company assessed the value of the investment property using the services of an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in the Turnover accounting policy.

**6. Debtors**

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>181,579</u>	<u>180,630</u>

**7. Provisions for liabilities and charges**

	2017 £'000	2016 £'000
Deferred tax – fixed asset timing difference		
Beginning of period	1,660	1,880
Revaluation of investment property	-	(170)
Capital allowances	(25)	(50)
End of period	<u>1,635</u>	<u>1,660</u>

**8. Called-up share capital**

	2017 £'000	2016 £'000
Allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

**9. Reserves**

*Movement in the period*

	Share Premium Account £'000	Profit & Loss Account £'000
Beginning of period	137,498	62,972
Profit for the period	-	974
End of period	<u>137,498</u>	<u>63,946</u>

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

**for the 53 weeks ended 3<sup>rd</sup> September 2017**

**10. Reconciliation of movement in shareholders' funds**

	2017 £'000	2016 £'000
Profit for the financial period	974	165
Net addition to shareholders' funds	974	165
Opening shareholders' funds	202,470	202,305
Closing shareholders' funds	203,444	202,470

**11. Related party transactions**

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

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

**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 a company incorporated in the United States of America, 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..