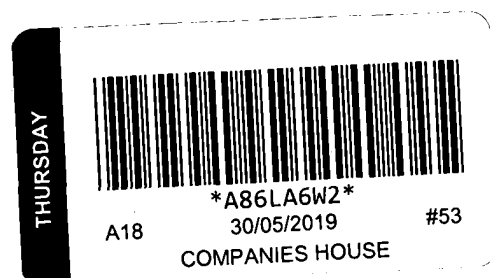


Costco Limited
Financial Statements
for the 52 weeks ended 2nd September 2018

Registered Number: 2776034



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Directors' Report

for the 52 weeks ended 2nd September 2018

The directors present their annual report on the affairs of the Company together with the financial statements and auditor's report, for the 52 weeks ended 2nd September 2018. Comparative figures are shown for the 53 weeks ended 3rd September 2017.

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 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 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 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 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 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 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

Going concern

The company was set up to hold a property that is rented to its immediate parent undertaking and receives stable rental income. As a consequence the directors believe that the company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the company has 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.

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.

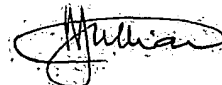
Auditor

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

24th May 2019



Magan K. Chauhan
Company Secretary

Independent auditor's report to the members of Costco Limited

Opinion

We have audited the financial statements of Costco Limited ("the company") for the 52 week period ended 2nd September 2018 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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 company's affairs as at 2nd September 2018 and of its profit for the 52 week 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is sufficient and appropriate basis for our opinion.

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and Directors' Report

The directors are responsible for the Directors' Report. Our opinion on the financial statements does not cover this report and we do not express an audit opinion thereon.

Our responsibility is to read the Directors' Report and, in doing so, consider whether, based on our financial statement 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 Directors' Report;
- in our opinion the information given in this report for the financial period is consistent with the financial statements; and
- in our opinion this report has been prepared in accordance with the Companies Act 2006.

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

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, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

29th May 2019

Profit and Loss Account and Other Comprehensive Income

for the 52 weeks ended 2nd September 2018

	Notes	2018 £'000	2017 (restated) £'000
Turnover	2	1,175	1,176
Cost of sales		-	-
Gross profit		1,175	1,176
Other operating expenses	3	(417)	(418)
Profit on ordinary activities before taxation	4	758	758
Tax on profit on ordinary activities	5	(196)	(202)
Profit for the financial period		562	556
Other Comprehensive Income for the period		-	-
Total Comprehensive Income for the period		562	556

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 8 to 15 are an integral part of this profit and loss account.

Balance Sheet

At 2nd September 2018

	Notes	2018 £'000	2017 (restated) £'000
Fixed Assets			
Tangible assets	6	13,533	13,950
Current Assets			
Debtors	7	182,533	181,579
Total assets less current liabilities		196,066	195,529
Provisions for liabilities and charges	8	(129)	(154)
Net assets		195,937	195,375
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	56,439	55,877
Shareholders' funds	11	195,937	195,375

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



Stephen M. Pappas
Director

24th May 2019

The accompanying notes on pages 8 to 15 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 28 th August 2016	2,000	137,498	62,972	202,470
Effect of change in accounting policy	-	-	(7,651)	(7,651)
Balance at 28 th August 2016 (restated)	2,000	137,498	55,321	194,819
Total comprehensive income for the period	-	-	556	556
Profit for the financial period	-	-	556	556
Balance at 3 rd September 2017 (restated)	2,000	137,498	55,877	195,375
Balance at 3 rd September 2017 (restated)	2,000	137,498	55,877	195,375
Total comprehensive income for the period	-	-	562	562
Profit for the financial period	-	-	562	562
Balance at 2 nd September 2018	2,000	137,498	56,439	195,937

The accompanying notes on pages 8 to 15 form an integral part of this statement of changes in equity.

Notes to the Financial Statements

for the 52 weeks ended 2nd September 2018

1. 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 52 weeks ended 2nd September 2018. Comparative figures are shown for the 53 weeks ended 3rd September 2017.

The Company has selected to early adopt the amendments to FRS 102 that were due to come into effect for accounting periods beginning on or after 1 January 2019.

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.

a) Basis of preparation

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 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.

b) Going concern

The company receives stable rental income from its immediate parent undertaking. The directors have, at the time of approving the financial statements, a reasonable expectation that the company has 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.

c) Significant judgements and estimates

The preparation of financial statements usually requires management to make judgements, estimates and assumptions in applying the accounting policies. Any 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.

There were no 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.

d) 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.

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

1. Accounting policies (continued)

e) Tangible Fixed Assets

The amendments to FRS 102 that have been early adopted by the Company provide the option for investment property rented to another group entity to be treated as a tangible fixed asset. The Company has chosen this option and the property owned by the Company is shown at cost less accumulated depreciation.

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 follow:

Freehold buildings	15 – 50 years
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f) 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.

g) Turnover

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

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

2. Turnover

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

3. Other operating expenses	2018 £'000	2017 (restated) £'000
Administrative expenses	417	418

4. Expenses and auditor's remuneration

Profit on ordinary activities before taxation is stated after charging:

	2018 £'000	2017 (restated) £'000
Depreciation of owned tangible fixed assets	417	418

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

During the year, no director was remunerated through the company (2017 - £Nil). The notional cost of directors not remunerated through the company has been considered and is not deemed to be significant for the year ended 2 September 2018.

5. Taxation

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

	2018 £'000	2017 (restated) £'000
UK Corporation Tax at 19% (2017 - 19.58%)		
Current tax on income for the period	221	227
Total current tax	221	227
Deferred tax (note 8)	(25)	(25)
Tax on profit on ordinary activities	196	202

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

5. Taxation (continued)

b) Reconciliation of effective tax rate

The tax assessed for the period is different to the standard UK corporation tax rate of 19%. The differences are explained below:

	2018 £'000	2017 (restated) £'000
Profit for the period	562	556
Total tax expense	196	202
Profit excluding taxation	758	758
Current tax at 19% (2017 – 19.58%)	144	148
<i>Effects of</i>		
Capital allowances less than depreciation	77	79
Deferred taxation charge	(25)	(25)
Total tax expense included in profit	196	202

c) Factors affecting the tax charge in future periods

On 16 March 2016 the Chancellor announced that the UK corporation tax rate will reduce to 17% from 1 April 2020. 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.

6. Tangible fixed assets

	Freehold Land & Buildings £'000
Cost	
Beginning and end of period	20,159
Depreciation	
Beginning of period	6,209
Charge for the period	417
End of period	6,626
Net book value	
Beginning of period	13,950
End of period	13,533

Freehold land amounting to £7,090,000 (2017: £7,090,000) has not been depreciated.

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

7. Debtors

	2018 £'000	2017 (restated) £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	<u>182,533</u>	<u>181,579</u>

8. Provisions for liabilities and charges

	2018 £'000	2017 (restated) £'000
Deferred tax – fixed asset timing difference		
Beginning of period	154	179
Credit for the period	(25)	(25)
End of period	<u>129</u>	<u>154</u>

9. Called-up share capital

	2018 £'000	2017 (restated) £'000
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	55,877
Profit for the period	-	562
End of period	<u>137,498</u>	<u>56,439</u>

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

11. Reconciliation of movement in shareholders' funds

	2018 £'000	2017 (restated) £'000
Profit for the financial period	562	556
Net addition to shareholders' funds	562	556
Opening shareholders' funds	195,375	194,819
Closing shareholders' funds	195,937	195,375

12. 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.

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 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.

14. Explanation of the effect of accounting policy changes

As stated in the statement of accounting policies, the Company has early adopted the amendments of FRS 102 due to come into effect for financial periods beginning on or after 1 January 2019 and chosen to show its investment property leased to a fellow group undertaking as a tangible fixed asset.

The accounting policies set out in the statement of accounting policies have been applied in preparing the financial statements for the period ended 2nd September 2018 and the comparative information presented in these financial statements for the period ended 3rd September 2017.

In preparing its balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting. An explanation of how the transition from FRS 102 to the amended FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

14. Explanation of the effect of accounting policy changes (continued)

Reconciliation of equity

	Note	28 th August 2016			3 rd September 2017		
		FRS 102 £'000	Effect of amendments to FRS 102 £'000	Amended FRS 102 £'000	FRS 102 £'000	Effect of amendments to FRS 102 £'000	Amended FRS 102 £'000
Fixed Assets:							
Investment property		23,500	(23,500)	-	23,500	(23,500)	-
Tangible fixed assets	a	-	14,368	14,368	-	13,950	13,950
Current Assets							
Debtors		180,630	-	180,630	181,579	-	181,579
Total assets less current liabilities		204,130	(9,132)	194,998	205,079	(9,550)	195,529
Provisions for liabilities and charges	b	(1,660)	1,481	(179)	(1,635)	1,481	(154)
Net assets		202,470	(7,651)	194,819	203,444	(8,069)	195,375
Capital and reserves							
Called-up share capital		2,000	-	2,000	2,000	-	2,000
Share premium account		137,498	-	137,498	137,498	-	137,498
Profit and loss account		62,972	(7,651)	55,321	63,946	(8,069)	55,877
Shareholders' funds		202,470	(7,651)	194,819	203,444	(8,069)	195,375

Notes to the reconciliation of equity

- a) **Tangible fixed assets.** The land and buildings held by the Company are leased to the immediate parent undertaking. Under FRS 102 there was no exemption for property leased to another Group company, allowing it to be treated as tangible fixed assets instead of investment property. Under the amended FRS 102 the exemption that was available under UK GAAP has been reintroduced and the land and buildings have been reclassified from investment property to tangible fixed assets and held at cost less accumulated depreciation.
- b) **Deferred tax.** FRS 102 requires that deferred tax is provided on all timing differences. Movements in the fair value of investment property were recognised through profit or loss each period in the financial statements, although the gain or loss on an investment property is only taxed at the time the property is disposed, which gives rise to a timing difference. Deferred tax has therefore been provided on the timing difference caused by the change from holding the investment property at fair value to holding it as a fixed asset valued at cost less accumulated depreciation.

Notes to the Financial Statements (continued)

for the 52 weeks ended 2nd September 2018

14. Explanation of the effect of accounting policy changes (continued)

Reconciliation of profit for the period ended 3rd September 2017

	Note	FRS 102 £'000	Effect of amendments to FRS 102 £'000	Amended FRS 102 £'000
Turnover		1,176		1,176
Cost of sales				
Gross profit		1,176		1,176
Other operating expenses	a		(418)	(418)
Profit on ordinary activities before taxation		1,176	(418)	758
Tax on profit on ordinary activities	b	(202)		(202)
Profit for the financial period		974	(418)	556

Notes to the reconciliation of profit for the period ended 30th August 2015

- a) **Tangible fixed assets.** The land and buildings held by the Company are leased to the immediate parent undertaking. Under FRS 102 there was no exemption for property leased to another Group company, allowing it to be treated as tangible fixed assets instead of investment property. Under the amended FRS 102 the exemption that was available under UK GAAP has been reintroduced and the land and buildings have been reclassified from investment property to tangible fixed assets. Revaluation of the investment property through profit or loss has been derecognised and replaced with straight line depreciation on the tangible fixed assets.
- b) **Deferred tax.** FRS 102 requires that deferred tax is provided on all timing differences. Movements in the fair value of investment property were recognised through profit or loss each period in the financial statements, although the gain or loss on an investment property is only taxed at the time the property is disposed, which gives rise to a timing difference. Deferred tax on the timing difference caused by the revaluation in the investment property has been derecognised. In addition, because depreciation is now being recognised on tangible fixed assets, the deferred tax on the difference between depreciation and capital allowances is different to the amount recognised when the investment property was revalued.