

Costco Limited

Financial Statements

for the 52 weeks ended 1st September 2019

Registered Number: 2776034



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Directors' Report

for the 52 weeks ended 1st September 2019

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 1st September 2019. Comparative figures are shown for the 52 weeks ended 2nd September 2018.

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 year. 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.

We do not expect the company's operations or results to be directly impacted by Brexit.

Directors' Report (continued)

for the 52 weeks ended 1st September 2019

The Covid-19 outbreak has led to widespread and continuing impacts on the global economy and it is affecting our business functions and the operations of others we do business with. We have taken immediate measures to protect the health of our employees and members, including limiting density in warehouses and ceasing sales of certain categories of merchandise, requiring our office employees to work remotely where possible, increased compensation levels of certain employees and limiting all non-essential travel. The extent to which the coronavirus impacts our results and financial position will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the coronavirus and the actions to contain and treat its impacts, among others.

The senior management team meet on a regularly basis in order to discuss and ensure that appropriate measures are in place to safeguard the operations and financial position of our business including the health of our employees and members in all our locations.

Due to the nature of company's operation the directors do not feel there will be a significant impact on the company's operations or results from coronavirus pandemic. The company's parent company, Costco Wholesale UK Limited, has sufficient financial resources to continue to pay rentals due under the lease.

Directors

The directors who served during the period were as follows:

James P. Murphy

Luis C Silveira (Appointed on 15th November 2019)

Rajesh N Shah (Appointed on 15th November 2019)

Stephen M Pappas (Resigned on 15th November 2019)

Magan K Chauhan (Resigned on 15th November 2019)

Going concern

The financial statements have been prepared on the basis of going concern as outlined under note 1(b) on page 8.

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: 24th August 2020.



Rajesh N Shah
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 1 September 2019 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 1 September 2019 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 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 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 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.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that 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 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

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

Date: 25th August 2020

Profit and Loss Account and Other Comprehensive Income

for the 52 weeks ended 1st September 2019

	Notes	2019 £'000	2018 £'000
Turnover	2	1,175	1,175
Cost of sales		-	-
Gross profit		1,175	1,175
Other operating expenses	3	(417)	(417)
Profit on ordinary activities before taxation	4	758	758
Tax on profit on ordinary activities	6	(196)	(196)
Profit for the financial period		562	562
Other Comprehensive Income for the period		-	-
Total Comprehensive Income for the period		562	562

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 12 are an integral part of this profit and loss account.

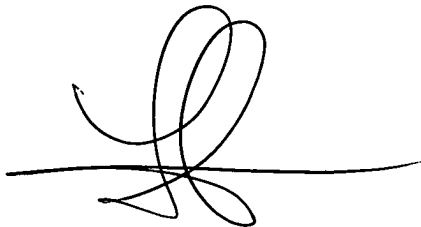
Balance Sheet

At 1st September 2019

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Tangible assets	7	13,116	13,533
Current Assets			
Debtors	8	183,486	182,533
Total assets less current liabilities		196,602	196,066
Provisions for liabilities and charges	9	(103)	(129)
Net assets		196,499	195,937
Capital and reserves			
Called-up share capital	10	2,000	2,000
Share premium account		137,498	137,498
Profit and loss account		57,001	56,439
Shareholders' funds		196,499	195,937

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

Luis C Silveira
Director



Date: 24th August 2020

The accompanying notes on pages 8 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 3rd September 2017	2,000	137,498	55,877	195,375
Profit for the financial period	-	-	562	562
	-----	-----	-----	-----
Balance at 2nd September 2018	2,000	137,498	56,439	195,937
	=====	=====	=====	=====
 Balance at 2nd September 2018	 2,000	 137,498	 56,439	 195,937
Total comprehensive income for the period				
Profit for the financial period	-	-	562	562
	-----	-----	-----	-----
Balance at 1st September 2019	2,000	137,498	57,001	196,499
	=====	=====	=====	=====

The accompanying notes on pages 8 to 12 form an integral part of this statement of changes in equity.

Notes to the Financial Statements

for the 52 weeks ended 1st September 2019

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 1st September 2019. Comparative figures are shown for the 52 weeks ended 2nd September 2018.

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 financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The company was set up to hold a property that is rented to its immediate parent undertaking and receives stable rental income.

The company is reliant on Costco Wholesale UK Limited for its working capital requirements.

The directors have performed a going concern assessment for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Costco Wholesale UK Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Costco Wholesale UK Limited providing additional financial support during that period. Costco Wholesale UK Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the assessment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

Notes to the Financial Statements (continued)

for the 52 weeks ended 1st September 2019

1. Accounting policies (continued)

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.

e) Tangible Fixed Assets

In accordance with FRS 102 the company is permitted to take up 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 1st September 2019

2. Turnover

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

3. Other operating expenses	2019 £'000	2018 £'000
Administrative expenses	417	417
	-----	-----

4. Expenses and auditor's remuneration

Profit on ordinary activities before taxation is stated after charging:

	2019 £'000	2018 £'000
Depreciation of owned tangible fixed assets	417	417
	-----	-----

Audit fees of £2,000 (2018: £2,000) for the company are borne by the parent company.

During the period, no director was remunerated through the company (2018: £Nil). The notional cost of directors not remunerated through the company has been considered and is not deemed to be significant for the 52 week period ended 1st September 2019 nor for 52 week period ended 2nd September 2018.

5. Staff Costs

The company did not have any employees during the period.

6. Taxation

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

	2019 £'000	2018 £'000
UK Corporation Tax at 19% (2018 – 19%)		
Current tax on income for the period	222	221
	-----	-----
Total current tax	222	221
Deferred tax (note 9)	(26)	(25)
	-----	-----
Tax on profit on ordinary activities	196	196
	=====	=====

Notes to the Financial Statements (continued)

for the 52 weeks ended 1st September 2019

6. 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:

	2019 £'000	2018 £'000
Profit for the period	562	562
Total tax expense	196	196
	-----	-----
Profit excluding taxation	758	758
Current tax at 19% (2018 – 19%)	144	144
<i>Effects of</i>		
Capital allowances less than depreciation	78	77
Deferred taxation charge	(26)	(25)
	-----	-----
Total tax expense included in profit	196	196
	=====	=====

c) Factors affecting the tax charge in future periods

A reduction in the UK corporation tax rate from 19% to 17% (effective 1st April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 1st September 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1st April 2020, and this change was substantively enacted on 17th March 2020. It is not expected that this change in the rate will impact the deferred tax balances.

7. Tangible fixed assets

	Freehold Land & Buildings £'000
Cost	
Beginning and end of period	20,159

Depreciation	
Beginning of period	6,626
Charge for the period	417

End of period	7,043

Net book value	
Beginning of period	13,533
	=====
End of period	13,116
	=====

Freehold land amounting to £7,090,000 (2018: £7,090,000) has not been depreciated.

Notes to the Financial Statements (continued)

for the 52 weeks ended 1st September 2019

8.	Debtors		
		2019	2018
		£'000	£'000
	Amounts falling due within one year:		
	Amounts owed by group undertakings	183,486	182,533
		<u> </u>	<u> </u>
9.	Provisions for liabilities and charges		
		2019	2018
		£'000	£'000
	Deferred tax – fixed asset timing difference		
	Beginning of period	129	154
	Credit for the period	(26)	(25)
		<u> </u>	<u> </u>
	End of period	103	129
		<u> </u>	<u> </u>
10.	Called-up share capital		
		2019	2018
		£'000	£'000
	Allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	2,000	2,000
		<u> </u>	<u> </u>

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.