



**Costco Limited**

**Accounts for the 52 weeks ended 2<sup>nd</sup> September 2001**

**together with directors' and auditors' reports**

Registered Number: 2776034

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## Directors' Report

For the 52 weeks ended 2<sup>nd</sup> September 2001

The directors present their annual report on the affairs of Costco Limited together with the accounts for the 52 weeks ended 2<sup>nd</sup> September 2001.

## Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Principal Activity and Business Review

The company is a wholly owned subsidiary of Costco Wholesale UK Limited. The company had been dormant in the previous year. However, in the current year the principal activity of the company has been the acquisition of freehold and long leasehold land and buildings from its parent company and subsequent operating leaseback.

## Directors and their Interests

The directors who served during the year were as follows:

Geoffrey F. M. Ball  
Magan K. Chauhan  
James P. Murphy

None of the directors had any interests in the shares of the company during the year. The interests of the directors of the company in the ordinary shares of Costco Wholesale Corporation are as follows:-

	<i>Ordinary shares of 0.5 cent US in Costco Wholesale Corporation</i>		<i>Options on Ordinary shares of 0.5 cent US in Costco Wholesale Corporation</i>			
	<i>At</i>	<i>At</i>	<i>At</i>	<i>During the year</i>		<i>At</i>
	<i>03/09/00</i>	<i>02/09/01</i>	<i>03/09/00</i>	<i>Granted</i>	<i>Exercised</i>	<i>02/09/01</i>
Geoffrey F M Ball	-	-	55,750	18,750	12,000	62,500

## **Directors' Report cont'd**

The interests of James P. Murphy in the shares of Costco Wholesale Corporation, the ultimate parent company, are disclosed in the accounts of Costco Wholesale UK Limited.

## **Auditors**

In accordance with Section 250 of the Companies act 1985 a special resolution had been passed not to appoint auditors as the company was dormant. In the current year, the company no longer qualifies as dormant and hence Arthur Andersen have been appointed by the directors to fill a casual vacancy until the next annual general meeting. The directors intend to place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the company.

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

**By order of the board**



Magan K Chauhan  
Secretary

## **Independent Auditors' Report**

### **To the Shareholders of Costco Limited**

We have audited the financial statements of Costco Limited for the 52 weeks ended 2<sup>nd</sup> September 2001 which comprise the Profit and loss account and Balance sheet and the related notes numbered 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the companies Act 1985. We also report to you if, in our opinion the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the company is not disclosed.

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

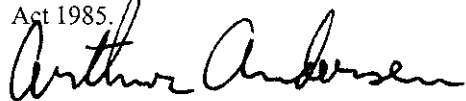
### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 2<sup>nd</sup> September 2001 and of the company's profits for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen,  
Chartered Accountants and Registered Auditors  
180 Strand,  
London,  
WC2R 1BL

Date:

11 Feb '02

## Profit and Loss Account

For the 52 weeks ended 2<sup>nd</sup> September 2001

	Notes	2001 £'000	2000 £'000
<b>Turnover</b>	1	7,828	-
Cost of sales		-	-
		-----	-----
<b>Gross profit</b>		7,828	-
Other operating expenses (net)	2	(2,611)	-
		-----	-----
<b>Profit on ordinary activities before taxation</b>	3	5,217	-
Tax on profit on ordinary activities	4	(2,348)	-
		-----	-----
<b>Profit for the financial year</b>		<u>2,869</u>	<u>-</u>

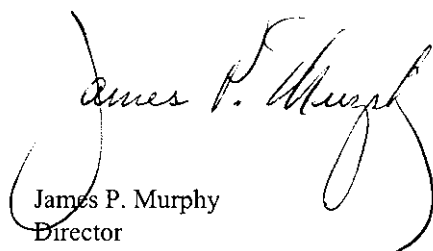
There are no recognised gains or losses in either year other than the result for each year.

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

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

**Balance Sheet**2<sup>nd</sup> September 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed Assets</b>			
Tangible assets	5	155,655	-
		-----	-----
<b>Current assets</b>			
Debtors	6	-	188
<b>Creditors: Amounts falling due within one year</b>	7	(14,100)	-
		-----	-----
<b>Net current (liabilities)/assets</b>		(14,100)	188
		-----	-----
<b>Net assets</b>		141,555	188
		=====	=====
<b>Capital and reserves</b>			
Called-up equity share capital	8	2,000	1,000
Share premium account	9	137,498	-
Profit and loss account	9	2,057	(812)
		-----	-----
<b>Equity shareholders' funds</b>	10	141,555	188
		=====	=====

**Signed on behalf of the Board**


James P. Murphy  
Director

Date: 11<sup>th</sup> February 2002

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

## Statement of Accounting Policies

For the 52 weeks ended 2<sup>nd</sup> September 2001

### Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

*a) Basis of accounting*

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

The company's financial year covers the 52 weeks ended 2<sup>nd</sup> September 2001.

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

Freehold and long leasehold buildings	15-50 years
---------------------------------------	-------------

*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 provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

*d) Turnover*

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

*e) Cashflow Statement*

Under the provisions of FRS1, the company has not prepared a cash flow statement because its ultimate parent company, Costco Wholesale Corporation, has prepared consolidated financial statements which are publicly available and which include the results of the company.



**Notes to the Accounts**For 52 weeks ended 2<sup>nd</sup> September 2001**1. Turnover**

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

<b>2. Other operating expenses (net)</b>	2001	2000
	£000	£000

Administrative expenses	2,611	-
	<u>          </u>	<u>          </u>

**3. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	2001	2000
	£'000	£'000
Depreciation of tangible fixed assets	2,611	-
	<u>          </u>	<u>          </u>

**4. Tax on profit on ordinary activities**

	2001	2000
	£'000	£'000
The tax charge comprises:		
Current tax on income for the period	2,348	-
	<u>          </u>	<u>          </u>
Tax on profit on ordinary activities	2,348	-
	<u>          </u>	<u>          </u>

The tax charge comprises of UK Corporation Tax at 30%.

**5. Tangible fixed assets**

	2001	2000
	£'000	£'000
Net book value:		
Land and buildings - freehold	137,809	-
Land and buildings - long leasehold	13,441	-
Assets in course of construction	4,405	-
	<u>          </u>	<u>          </u>
	155,655	-
	<u>          </u>	<u>          </u>

# Notes to the Accounts (continued)

For the 52 weeks ended 2<sup>nd</sup> September 2001

## 5. Tangible fixed assets (continued)

	Long Leasehold Land & Buildings	Freehold Land & Buildings	Assets in Course of Construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
Beginning of year	-	-	-	-
Additions	-	15,369	4,405	19,774
Transfer from parent Undertakings	13,687	124,805	-	138,492
	-----	-----	-----	-----
End of year	13,687	140,174	4,405	158,266
	-----	-----	-----	-----
<b>Depreciation</b>				
Beginning of year	-	-	-	-
Charge	246	2,365	-	2,611
Transfer from parent Undertaking	-	-	-	-
	-----	-----	-----	-----
End of year	246	2,365	-	2,611
	-----	-----	-----	-----
<b>Net book value</b>				
Beginning of year	-	-	-	-
	-----	-----	-----	-----
End of year	13,441	137,809	4,405	155,655
	-----	-----	-----	-----

Freehold land amounting to £64,710,000 (2000 - £Nil) and long leasehold land amounting to £4,103,000 (2000 - £Nil) have not been depreciated.

## 6. Debtors

	2001 £'000	2000 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by parent undertaking	-	188
	=====	=====

## 7. Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed to shareholder group companies	11,712	-
Other creditors		
- Corporation Tax	2,348	-
	-----	-----
	14,100	-
	=====	=====

**Notes to the Accounts (continued)**For the 52 weeks ended 2<sup>nd</sup> September 2001**8. Called-up equity share capital**

	2001 £'000	2000 £'000
Authorised, allotted, called-up and fully paid 2,000,000 ordinary shares of £1 each	2,000 =====	1,000 =====

During the year the directors issued 1,000,000 ordinary shares of £1 each in the exchange for property transfer with a net book value of £138,498,000.

**9. Reserves***Movement in the year*

	Share Premium Account £'000	Profit & Loss Account £'000	Total £'000
Beginning of year	0	(812)	(812)
New share capital subscribed	137,498	-	137,498
Retained profit for the year	-	2,869	2,869
End of year	137,498 -----	2,057 -----	139,555 -----

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

	2001 £'000	2000 £'000
Profit for the financial year	2,869	-
New share capital subscribed	138,498	-
Movement in shareholders' funds	141,367 -----	- -----
Opening shareholders' funds	188	188
Closing shareholders' funds	141,555 -----	188 -----

**11. Related party transaction**

Under Financial Reporting Standard 8 no related party transactions have been disclosed as the company is a wholly owned subsidiary of Costco Wholesale UK Limited and consolidated accounts of Costco Wholesale UK Limited are publicly available.

**Notes to the Accounts (continued)**

For the 52 weeks ended 2<sup>nd</sup> September 2001

**12. Ultimate parent company**

Costco Wholesale Corporation, incorporated in the United States of America, is the ultimate parent company. The largest group in which the results of the company are consolidated is that headed by Costco Wholesale Corporation, whose financial statements are available to the public and are obtainable from 999 Lake Drive, Issaquah, WA 98027, U.S.A. The smallest group in which the results of the company are consolidated is that headed by Costco Wholesale UK Limited, a company incorporated in Great Britain whose accounts are available to the public and are obtainable from UK Home Office, Hartspring Lane, Watford, Herts, WD25 8JS.