

**Costco Limited**

**Accounts for the 52 weeks ended 28<sup>th</sup> August 2005**  
**together with directors' and auditor's reports**

Registered Number: 2776034



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## Directors' Report

For the 52 weeks ended 28<sup>th</sup> August 2005

The directors present their annual report on the affairs of Costco Limited together with the accounts for the 52 weeks ended 28<sup>th</sup> August 2005.

## 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 principal activity of the company has been the acquisition and holding of freehold and long leasehold land and buildings for the group operations and subsequent operating leaseback to the operating company.

## 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 29/08/04</i>	<i>At 28/08/05</i>	<i>At 29/08/04</i>	<i>During the year Granted      Exercised</i>	<i>At 28/08/05</i>
Magan K Chauhan	-	-	6,000	8,000	- 14,000

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

## **Directors' Report continued**


### **Auditors**

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

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

Date: 16 January 2006

**By order of the board**

A handwritten signature in black ink, appearing to read 'Magan K Chauhan', written over a large, loopy circular flourish.

Magan K Chauhan  
**Secretary**

## **Independent Auditor's Report**

### **To the Members of Costco Limited**

We have audited the financial statements of Costco Limited on page 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors**

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 company's circumstances 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 the company's affairs as at 28<sup>th</sup> August 2005 and of the company's profits for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
**Chartered Accountants and Registered Auditor**

8 Salisbury Square,  
London,  
EC4Y 8BB

Date: *20 January 2006*

**Profit and Loss Account**For the 52 weeks ended 28<sup>th</sup> August 2005

	Notes	2005 £'000	2004 £'000
<b>Turnover</b>	1	17,462	17,462
Cost of sales		-	-
<b>Gross profit</b>		17,462	17,462
Other operating expenses	2	(5,193)	(5,331)
<b>Profit on ordinary activities before taxation</b>	3	12,269	12,131
Tax on profit on ordinary activities	4	(4,307)	(5,015)
<b>Profit for the financial year</b>		7,962	7,116

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**  
28<sup>th</sup> August 2005

	Notes	2005 £'000	2004 £'000
<b>Fixed Assets</b>			
Tangible assets	5	212,118	217,311
		-----	-----
<b>Creditors: Amounts falling due within one year</b>	6	(39,080)	(51,883)
		-----	-----
<b>Net current liabilities</b>		(39,080)	(51,883)
		-----	-----
<b>Total assets less current liabilities</b>		173,038	165,428
		-----	-----
<b>Provisions for liabilities and charges</b>	7	(1,518)	(1,870)
		-----	-----
<b>Net Assets</b>		171,520	163,558
		=====	=====
<b>Capital and reserves</b>			
Called-up equity share capital	8	2,000	2,000
Share premium account	9	137,498	137,498
Profit and loss account	9	32,022	24,060
		-----	-----
<b>Equity shareholders' funds</b>	10	171,520	163,558
		=====	=====

**Signed on behalf of the Board**



Geoffrey F. M. Ball  
Director

Date: 16 January 2006

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

## Statement of Accounting Policies

For the 52 weeks ended 28<sup>th</sup> August 2005

### Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the preceding year. The accounting period covers the 52 weeks ended 28<sup>th</sup> August 2005. Comparative figures are as shown for the 52 weeks ended 29<sup>th</sup> August 2004.

a) *Basis of accounting*

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

b) *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold and long leasehold buildings	15-50 years
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Depreciation is not provided on long leasehold land unless in the opinion of the Directors the amount is material, in which case the cost of leasehold land is written off over the term of the lease.

c) *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors' consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

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 it is a wholly owned subsidiary undertaking of a company registered in England & Wales which has prepared consolidated accounts which include the subsidiary undertaking.



**Notes to the Accounts**For 52 weeks ended 28<sup>th</sup> August 2005**1. Turnover**

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

<b>2. Other operating expenses</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>

Administrative expenses	5,193	5,331
	-----	-----

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

Profit on ordinary activities before taxation is stated after charging:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	5,193	5,331
	-----	-----

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

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

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>a) Analysis of tax charge in the year</b>		
UK Corporation Tax		
Current tax on income for the year at 30% (2004 – 30%)	4,734	4,677
Adjustment in respect of prior year	(75)	(690)
	-----	-----
Total current tax	4,659	3,987
UK deferred tax	(352)	1,028
	-----	-----
Tax on profit on ordinary activities	<u>4,307</u>	<u>5,015</u>

**b) Factors affecting tax charge for the year**

The tax assessed for the year is different to the standard UK corporation tax of 30%. The differences are explained below:

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	12,269	12,131
	-----	-----

**Notes to the Accounts (continued)**  
For 52 weeks ended 28<sup>th</sup> August 2005

**4. Tax on profit on ordinary activities (continued)**

	2005 £'000	2004 £'000
Current tax at 30% (2004 – 30%)	3,681	3,639
<i>Effects of</i>		
Capital allowances less than depreciation	1,053	1,038
Adjustment in respect of prior year	(75)	(690)
	<u>4,659</u>	<u>3,987</u>
Total current tax	<u>4,659</u>	<u>3,987</u>

**5. Tangible fixed assets**

	2005 £'000	2004 £'000
Net book value:		
Land and buildings - freehold	160,855	164,970
Land and buildings - long leasehold	51,263	52,341
	<u>212,118</u>	<u>217,311</u>

	Long Leasehold Land & Buildings £'000	Freehold Land & Buildings £'000	Total £'000
<b>Cost</b>			
Beginning of year	55,878	179,087	234,965
Additions	-	-	-
End of year	<u>55,878</u>	<u>179,087</u>	<u>234,965</u>
<b>Depreciation</b>			
Beginning of year	3,537	14,117	17,654
Charge	1,078	4,115	5,193
End of year	<u>4,615</u>	<u>18,232</u>	<u>22,847</u>
<b>Net book value</b>			
Beginning of year	<u>52,341</u>	<u>164,970</u>	<u>217,311</u>
End of year	<u>51,263</u>	<u>160,855</u>	<u>212,118</u>

Freehold land amounting to £69,561,000 (2004 - £69,561,000) and long leasehold land amounting to £8,840,000 (2004 - £8,840,000) have not been depreciated.

**Notes to the Accounts (continued)**  
For 52 weeks ended 28<sup>th</sup> August 2005

**6. Creditors: Amounts falling due within one year**

	2005 £'000	2004 £'000
Amounts owed to group undertakings	39,080	51,883
	<u>39,080</u>	<u>51,883</u>

**7. Provision of liabilities and charges**

	2005 £'000	2004 £'000
Deferred tax – in respect of capital allowances		
Beginning of year	1,870	842
(Credit)/charge for the year – in respect of capital allowances	(352)	1,028
End of year	<u>1,518</u>	<u>1,870</u>

**8. Called-up equity share capital**

	2005 £'000	2004 £'000
Authorised, 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 year*

	Share Premium Account £'000	Profit & Loss Account £'000	Total £'000
Beginning of year	137,498	24,060	161,558
Retained profit for the year	-	7,962	7,962
End of year	<u>137,498</u>	<u>32,022</u>	<u>169,520</u>

**Notes to the Accounts (continued)**For the 52 weeks ended 28<sup>th</sup> August 2005**10. Reconciliation of movement in equity shareholders' funds**

	2005 £'000	2004 £'000
Profit for the financial year	7,962	7,116
	-----	-----
Movement in shareholders' funds	7,962	7,116
Opening shareholders' funds	163,558	156,442
	-----	-----
Closing shareholders' funds	171,520	163,558
	=====	=====

**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.

**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.