

Costco Limited

Accounts for the 52 weeks ended 31st August 2003

together with directors' and auditor's reports

Registered Number: 2776034



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Directors' Report

For the 52 weeks ended 31st August 2003

The directors present their annual report on the affairs of Costco Limited together with the accounts for the 52 weeks ended 31st August 2003.

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</i>	<i>At</i>	<i>At</i>	<i>During the year</i>		<i>At</i>
	<i>02/09/02</i>	<i>31/08/03</i>	<i>02/09/02</i>	<i>Granted</i>	<i>Exercised</i>	<i>31/08/03</i>
Geoffrey F M Ball	-	-	81,250	18,750	-	100,000

Directors' Report cont'd

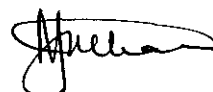
The interests of James P. Murphy in the shares of Costco Wholesale Corporation, the ultimate parent company, are disclosed in the accounts of Costco Wholesale UK Limited.

Auditors

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

By order of the board

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



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 31st August 2003 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

Chartered Accountants and Registered Auditor

8 Salisbury Square,
London,
EC4Y 8BB

Date: 15 January 2004

Profit and Loss AccountFor the 52 weeks ended 31st August 2003

	Notes	2003 £'000	2002 £'000
Turnover	1	17,355	13,933
Cost of sales		-	-
Gross profit		<u>17,355</u>	<u>13,933</u>
Other operating expenses	2	(5,451)	(4,261)
Profit on ordinary activities before taxation	3	<u>11,904</u>	<u>9,672</u>
Tax on profit on ordinary activities	4	(3,049)	(3,640)
Profit for the financial year		<u><u>8,855</u></u>	<u><u>6,032</u></u>

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

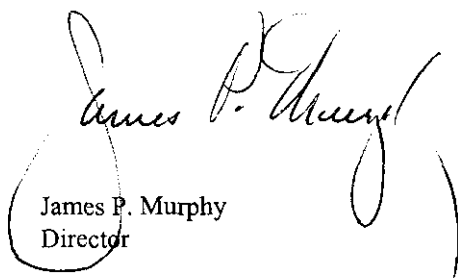
All operations of the company continued throughout the current year. No operations were acquired or disposed under either financial years.

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

Balance Sheet
31st August 2003

	Notes	2003 £'000	2002 £'000
Fixed Assets			
Tangible assets	5	222,640	223,353
		-----	-----
Creditors: Amounts falling due within one year	6	(65,356)	(75,056)
		-----	-----
Net current liabilities		(65,356)	(75,056)
		-----	-----
Total assets less current liabilities		157,284	148,297
Provisions for liabilities and charges	7	(842)	(710)
		-----	-----
Net Assets		156,442	147,587
		=====	=====
Capital and reserves			
Called-up equity share capital	8	2,000	2,000
Share premium account	9	137,498	137,498
Profit and loss account	9	16,944	8,089
		-----	-----
Equity shareholders' funds	10	156,442	147,587
		=====	=====

Signed on behalf of the Board


James P. Murphy
Director

Date: 14th January 2004

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

Statement of Accounting Policies
For the 52 weeks ended 31st August 2003

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 31st August 2003. Comparative figures are as shown for the 52 weeks ended 1st September 2002.

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 31st August 2003

1. Turnover

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

2.	Other operating expenses	2003 £000	2002 £000
	Administrative expenses	5,451	4,261
		-----	-----

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2003 £'000	2002 £'000
Depreciation of tangible fixed assets	5,451	4,261
	-----	-----

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

4. Tax on profit on ordinary activities

	2003 £'000	2002 £'000
a) Analysis of tax charge in the year		
UK Corporation Tax		
Profit of the year at 30% (2002 – 30%)	4,652	3,535
Adjustment in respect of prior year	(1,735)	(605)
	-----	-----
Total current tax	2,917	2,930
UK deferred tax	132	710
	-----	-----
Tax on profit on ordinary activities	3,049	3,640
	=====	=====

b) Factors affecting tax charge for the year

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

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	11,904	9,672
	-----	-----

Notes to the Accounts (continued)
For 52 weeks ended 31st August 2003

4. Tax on profit on ordinary activities (continued)

	2003 £'000	2002 £'000
Current tax at 30% (2002 - 30%)	3,571	2,902
<i>Effects of</i>		
Capital allowances less than depreciation	1,606	633
Group loss relief	(525)	-
Adjustment in respect of prior year	(1,735)	(605)
	<u>2,917</u>	<u>2,930</u>
Total current tax	<u>2,917</u>	<u>2,930</u>

5. Tangible fixed assets

	2003 £'000	2002 £'000
Net book value:		
Land and buildings - freehold	169,199	157,284
Land and buildings - long leasehold	53,441	54,564
Assets in course of construction	-	11,505
	<u>222,640</u>	<u>223,353</u>

	Long Leasehold Land & Buildings £'000	Freehold Land & Buildings £'000	Assets in Course of Construction £'000	Total £'000
Cost				
Beginning of year	56,636	162,084	11,505	230,225
Additions	(6)	4,744	-	4,738
Transfers	(752)	12,257	(11,505)	-
	<u>55,878</u>	<u>179,085</u>	<u>-</u>	<u>234,963</u>
End of year	55,878	179,085	-	234,963
Depreciation				
Beginning of year	2,072	4,800	-	6,872
Charge	1,117	4,334	-	5,451
Transfers	(752)	752	-	-
	<u>2,437</u>	<u>9,886</u>	<u>-</u>	<u>12,323</u>
End of year	2,437	9,886	-	12,323
Net book value				
Beginning of year	54,564	157,284	11,505	223,353
	<u>54,564</u>	<u>157,284</u>	<u>11,505</u>	<u>223,353</u>
End of year	53,441	169,199	-	222,640
	<u>53,441</u>	<u>169,199</u>	<u>-</u>	<u>222,640</u>

Freehold land amounting to £69,559,000 (2002 - £66,404,000) and long leasehold land amounting to £8,840,000 (2002 - £8,837,000) have not been depreciated.

Notes to the Accounts (continued)
For 52 weeks ended 31st August 2003

6. Creditors: Amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	65,356	73,288
Other creditors		
- Corporation Tax	-	1,768
	<u>65,356</u>	<u>75,056</u>

7. Provision of liabilities and charges

	2003 £'000	2002 £'000
Deferred tax		
Beginning of year	710	-
Charge for the year – in respect of capital allowances	132	710
	<u>842</u>	<u>710</u>
End of year		

8. Called-up equity share capital

	2003 £'000	2002 £'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	8,089	145,587
Retained profit for the year	-	8,855	8,855
	<u>137,498</u>	<u>16,944</u>	<u>154,442</u>
End of year			

Notes to the Accounts (continued)For the 52 weeks ended 31st August 2003**10. Reconciliation of movement in equity shareholders' funds**

	2003 £'000	2002 £'000
Profit for the financial year	8,855	6,032
	-----	-----
Movement in shareholders' funds	8,855	6,032
Opening shareholders' funds	147,587	141,555
	-----	-----
Closing shareholders' funds	<u>156,442</u>	<u>147,587</u>

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.