OCI Holdings Limited

Report and Financial Statements

31 December 2002

ERNST & YOUNG

Registered No: 03649482

Directors
Binus Invest AB
Hans Dobke
Michael Capaccio
Peter Sherratt
Peter Gamester
James Blakemore
Nicholas Hill
Barry Porter

Secretary
Margaret Smith

Auditors
Ernst & Young LLP
1 More London Place
London
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Bankers
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25 Bank Street
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

Results and dividends

The loss for the year, after taxation, amounted to £5,990,779 (2001 - loss £5,253,944). The directors do not recommend the payment of an ordinary dividend for the year which leaves a loss of £5,990,779 (2001 - loss £5,253,944) to be retained.

Principal activity and review of the business

The group's principal activities are that of a specialist developer and operator of factory outlet centres and as a retailer.

During the year, the group launched a new business concept named 'At Home' to redirect the future of Arlandastad Outlet Village AB (Sweden). The concept of 'At Home' is to create a shopping environment offering a wide range of home furnishing/interior decoration related products by premier Scandinavian brands. The concept also plans to retain some premier tenants from the present outlet scheme in order to offer wider choice to customers.

During the year, the group strengthened its premier tenant/brand mix by reaching over 91% occupancy levels (2001- approx. 85%) at Zweibrucken Outlet Village Gmbh & Co.KG (Germany). Following its success at Zweibrucken, the group plans to expand and establish the concept of outlet shopping in other locations in Germany.

Directors and their interests

The directors who served during the year were as follows:

Binus Invest AB	
Hans Dobke	
Simon Taylor	(resigned 31 July 2002)
Andrew Pettit	(resigned 29 January 2004)
Wilson Lee	(resigned 15 July 2004)
Peter Sherratt	
Patricia Cleveland	(resigned 31 July 2003)
Peter Gamester	
Michael Capaccio	

Subsequent to the year end the following directors were appointed:

James Blakemore	(appointed 15 July 2004)
Nicholas Hill	(appointed 29 January 2004)
Barry Porter	(appointed 15 July 2004)

The interests of the directors in the share capital of the company at the end of the year were as follows:

	Ordinary 'B' shares of £1 each 2002	*Ordinary 'B' shares of £1 each 2001*
Binus Invest AB	3,177	3,177

Hans Dobke is a beneficiary of The Dobke Settlement which holds 769 ordinary 'B' shares of £1 each.

Directors' report

Lehman Brothers Holdings Plc has nominated Andrew Pettit, Wilson Lee, Peter Sherratt, Peter Gamester, Patricia Cleveland (resigned 31 July 2003) and Michael Capaccio as directors of the company, and holds 45,000 ordinary 'A' shares of £1 each.

Directors' report

Directors and their interests (continued)

The interests of the directors in the unsecured loan stock of the company at the end of the year were as follows:

	Unsecured loan stock	
	2002	*2001*
	£	*£*
Binus Invest AB	384,106	384,106

Hans Dobke is a beneficiary of The Dobke Settlement which holds £93,021 of unsecured loan stock (£93,021 as at 31 December 2001).

Lehman Brothers Holdings Plc holds £2,612,500 of unsecured loan stock (£2,612,500 as at 31 December 2001).

Post balance sheet events

In July 2004 the group sold its Scandinavian ventures, Arlandastad Outlet Village AB (together with its new venture, 'At Home') and Fashion Brands AB (the retail company trading out of Arlandastad Outlet Village AB), to Aareal Bank AG (senior financier to the venture) for SEK1.

After disposing of its Scandinavian operations, the group now plans to focus on expanding its core business activities in Germany.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board

Hans Dobke
Director

Director

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Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of OCI Holdings Limited

We have audited the group's financial statements for the year ended 31 December 2002 which comprise the Consolidated profit and loss account, Consolidated statement of total recognised gains and losses, Consolidated balance sheet and Balance sheet and the related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 group 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 audit 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Independent auditors' report

to the members of OCI Holdings Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

4 November 2004

Consolidated profit and loss account

for the year ended 31 December 2002

	Notes	2002 £	2001 £
Turnover	2	3,698,285	2,902,641
Cost of sales		(325,767)	(432,770)
Group gross profit		3,372,518	2,469,871
Administrative expenses - other		(4,353,114)	(5,605,725)
- exceptional	3	(2,652,613)	–
Total administrative expenses		(7,005,727)	(5,605,725)
Group operating loss	4	(3,633,209)	(3,135,854)
Amortisation of goodwill arising on acquisition of associate		–	(11,331)
Total operating loss		(3,633,209)	(3,147,185)
Interest receivable	7	101,035	143,248
Interest payable	8	(3,287,195)	(3,374,794)
Profit on sale of investments	9	–	1,124,787
Loss on ordinary activities before taxation		(6,819,369)	(5,253,944)
Taxation	10	–	–
Minority interest	26	828,590	–
Loss for the financial year attributable to members of the parent company	20	(5,990,779)	(5,253,944)

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Consolidated statement of total recognised gains and losses

for the year ended 31 December 2002

	Notes	2002 £	2001 £
Loss for the year	20	(5,990,779)	(5,253,944)
Exchange difference on retranslation of net assets of subsidiary undertakings		(1,291,694)	472,496
Revaluation of investment properties	12, 20	6,083,902	–
Total recognised losses relating to the year	20	(1,198,571)	(4,781,448)

Consolidated balance sheet

at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Intangible assets	11	1,691,577	1,967,358
Tangible assets	12	33,425,197	24,587,466
		35,116,774	26,554,824
Current assets			
Stocks	14	31,630	130,332
Debtors	15	2,408,600	3,304,235
Cash at bank and in hand		760,486	1,540,962
		3,200,716	4,975,529
Creditors: amounts falling due within one year	16	9,178,444	8,757,310
Net current liabilities		(5,977,728)	(3,781,781)
Total assets less current liabilities		29,139,046	22,773,043
Creditors: amounts falling due after more than one year	17	47,531,446	41,745,668
		(18,392,400)	(18,972,625)
Capital and reserves			
Called up share capital	19	50,000	50,000
Revaluation reserve	12, 20	6,083,902	–
Profit and loss account	20	(26,305,098)	(19,022,625)
Shareholders' deficit: equity	20	(20,171,196)	(18,972,625)
Minority interest: equity	26	1,778,796	–
		(18,392,400)	(18,972,625)

Hans Dobke
Director

Director

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Balance sheet

at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Investments	13	4	4
Current assets			
Debtors:			
amounts falling due after one year	15	7,040,153	8,895,088
amounts falling due within one year	15	5	1,010,083
Cash at bank and in hand		30,056	386
		7,070,214	9,905,557
Creditors: amounts falling due within one year	16	10,214	10,752
Net current assets		7,060,000	9,894,805
Total assets less current liabilities		7,060,004	9,894,809
Creditors: amounts falling due after more than one year	17	31,082,912	25,974,018
		(24,022,908)	(16,079,209)
Capital and reserves			
Called up share capital	19	50,000	50,000
Profit and loss account	20	(24,072,908)	(16,129,209)
Shareholders' deficit: equity	20	(24,022,908)	(16,079,209)

Hans Dobke
Director

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Notes to the financial statements

at 31 December 2002

1. Accounting policies

Fundamental accounting concept

The group has an agreed loan facility from Mable Commercial Funding Limited, a subsidiary of Lehman Brothers Holdings Inc., the company's ultimate parent undertaking, which matures on 16 February 2004 and is now repayable on demand.

However, Lehman Brothers Holdings Plc has indicated to the directors its intention to provide sufficient funds to enable the company and the group to continue operating and to meet their liabilities as they fall due for the foreseeable future.

The directors therefore conclude that it is appropriate to prepare the financial statements on a going concern basis.

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the accounts of OCI Holdings Limited and its subsidiary undertakings for the year ended 31 December 2002.

No profit and loss account is presented for OCI Holdings Limited as permitted by Section 230 of the Companies Act 1985.

Statement of cash flows

The directors have taken advantage of the exemption in paragraph 5 (a) of Financial Reporting Standard 1 (revised) from producing a cash flow statement.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Positive goodwill arising on the acquisition of Outlet Centres International BV will be amortised on a straight line basis over 10 years.

Depreciation

Depreciation is provided on all tangible fixed assets except sites under development being held for investment, investment properties and land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Furniture and fittings	-	over 4 years
Computer equipment	-	over 2 years
Motor vehicles	-	over the period of the finance lease
Buildings	-	over 20 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Investment properties

Investment properties are revalued at the end of each accounting period; the aggregate surplus or deficit insofar as it is not deemed to be permanent, is transferred to revaluation reserve.

Investment properties will include undeveloped land at existing sites.

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation or amortisation is provided in respect of either freehold or long leasehold investment properties. This constitutes a departure from the statutory rules requiring fixed assets to be depreciated over their economic life, but in the opinion of the directors is necessary to enable the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Stocks

Stocks are stated at the lower of cost or net realisable value

Pension costs

The company contributes to personal pension schemes on behalf of certain staff.

Fixed asset investments

The investment in subsidiaries is stated at cost. The carrying value is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- 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 an undiscounted 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 substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

On consolidation the balance sheets of the overseas subsidiaries are translated at the year end rate of exchange. The profit and loss accounts are translated at the average rate of exchange for the relevant periods. The exchange differences arising are taken directly to reserves.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

2. Turnover

All turnover (stated net of value added tax) received from group companies is eliminated on consolidation, but turnover from third parties is shown in the profit and loss account. Turnover is derived from continuing activities as a specialist developer and operator of factory outlet centres and retail sales. An analysis of turnover by geographical market and income type is shown below:

		2002		*2001*
	Germany	*Sweden*	*Germany*	*Sweden*
	£	*£*	*£*	*£*
Tenant rental and service charge income	2,648,100	577,142	1,725,778	538,678
Retail sales	–	473,043	–	638,185
Group turnover	2,648,100	1,050,185	1,725,778	1,176,863

3. Exceptional expenses

Based on the revaluation of Arlandastad Outlet Village AB (Sweden) (note 12):

	2002	*2001*
	£	*£*
Permanent deficit on revaluation of investment properties (non-owner occupied share)	2,278,623	–
Depreciation - permanent impairment of land and buildings (owner-occupied share)	373,990	–
	2,652,613	–

Notes to the financial statements

at 31 December 2002

4. Operating loss

This is stated after charging:

	2002 £	2001 £
Auditors' remuneration - audit services	75,327	55,836
- non-audit services	18,921	31,009
Depreciation of owned fixed assets - exceptional (note 3)	373,990	149,946
- other	147,970	–
Permanent deficit on revaluation of investment properties (notes 3,12)	2,278,623	–
Amortisation of goodwill	275,781	287,111
Obsolete stock written-off	38,176	–
Loss on disposal of tangible fixed assets	53,760	1,224
Operating lease rentals - land and buildings	16,000	87,319
- other	–	7,139

5. Directors' remuneration

	2002 £	2001 £
Emoluments	205,795	357,420
Group contributions paid to personal pension schemes	5,250	9,000

	2002 No.	2001 No.
Members of personal pension schemes	1	1

The amounts in respect of the highest paid director are as follows:

	2002 £	2001 £
Emoluments	152,391	154,295

6. Staff costs

The average monthly number of persons employed in the year was 28 (2001 - 41), including directors who were involved in the management and administration of the company's operations.

	2002 £	2001 £
Excluding directors:		
Wages and salaries	686,086	987,535
Social security costs	177,126	212,265
Other pension costs	33,916	46,000
	897,128	1,245,800

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Notes to the financial statements

at 31 December 2002

7. Interest receivable

	2002 £	*2001* £
Bank interest receivable	91,028	60,360
Interest receivable from associate company	–	29,866
Interest receivable from parent company	10,007	53,022
	101,035	143,248

8. Interest payable and similar charges

	2002 £	*2001* £
Loans	3,287,195	3,374,794

9. Profit on sale of investments

	2002 £	*2001* £
Profit on sale of investment in Gretna Gateway Investors Limited	–	1,123,036
Profit on sale of investment in OCI Gretna Limited	–	1,751
	–	1,124,787

10. Taxation

(a) Analysis of charge in year:

	2002 £	*2001* £
Total current tax (note 10(b))	–	–
Total deferred tax	–	–
Total tax for year	–	–

Notes to the financial statements

at 31 December 2002

10. Taxation (continued)

(b) Factors affecting tax for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	*2001* £
Loss on ordinary activities before tax	(6,819,369)	(5,253,944)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001 - 30%)	(2,045,811)	(1,576,183)
Effects of:		
Expenses not deductible for tax purposes	912,126	202,818
Depreciation in advance of capital allowances	368	2,874
Other timing differences	98,400	93,457
Losses carried forward	1,034,917	1,277,034
Current tax for the year (note 10(a))	–	–

The group has tax losses arising in the UK of approximately £8.2m (2001 - £7.1m) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. In addition, the group has tax losses of approximately £12m (2001 - £10m) arising in overseas subsidiaries that are available for offset against future taxable profits in those countries. Deferred tax assets have not been recognised in respect of these losses as the recognition criteria in FRS 19 have not been met.

11. Intangible fixed assets

Group	*Goodwill* £
Cost:	
At 1 January 2002 and 31 December 2002	2,757,802
Amortisation:	
At 1 January 2002	790,444
Provided during the year	275,781
At 31 December 2002	1,066,225
Net book value:	
At 31 December 2002	1,691,577
At 1 January 2002	1,967,358

Goodwill is being amortised over the directors' estimate of its useful economic life of ten years.

Notes to the financial statements

at 31 December 2002

12. Tangible fixed assets

Group

	Investment properties	*Land and buildings*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Total*
	£	£	£	£	£	£
Cost or valuation:						
At 1 January 2002	23,141,066	1,946,413	313,291	69,306	9,755	25,479,831
Additions	866,936	21,738	9,469	1,839	–	899,982
Surplus on revaluation	8,691,288	–	–	–	–	8,691,288
Deficit on revaluation	(2,278,623)	–	–	–	–	(2,278,623)
Exchange differences	2,070,269	177,472	22,799	1,234	–	2,271,774
Disposals	(214,586)	–	(2,598)	–	–	(217,184)
At 31 December 2002	32,276,350	2,145,623	342,961	72,379	9,755	34,847,068
Depreciation:						
At 1 January 2002	–	707,251	120,198	55,161	9,755	892,365
Provided during the year	–	443,836	71,153	6,971	–	521,960
Exchange differences	–	–	7,602	470	–	8,072
Disposals	–	–	(526)	–	–	(526)
At 31 December 2002	–	1,151,087	198,427	62,602	9,755	1,421,871
Net book value:						
At 31 December 2002	32,276,350	994,536	144,534	9,777	–	33,425,197
At 1 January 2002	23,141,066	1,239,162	193,093	14,145	–	24,587,466

On 31 December 2001 Arlandastad Outlet Village AB (Sweden) was classified as an investment property and reported at directors' valuation. The historical cost of this investment property as at 31 December 2002 was £11,109,129. The area occupied (16% floor area) by the retail company, Fashion Brands AB, a wholly owned subsidiary of Outlet Centres International BV and trading from Arlandastad Outlet Village AB, is classified as owner-occupied area and thus reported as 'Land and buildings'. The buildings element is being depreciated over 20 years.

During the year, the group launched a new business concept named 'At Home' to redirect the future of Arlandastad Outlet Village AB (Sweden). The concept of 'At Home' is to create a shopping environment offering a wide range of home furnishing/interior decoration related products by premier Scandinavian brands. The concept also plans to retain some premier tenants from the present outlet scheme in order to offer wider choice to customers. In 2002 an amount of £315,172 was spent on the venture, which is classified under 'investment properties' and is reported at 'historical cost'.

In the directors' opinion, as at 31 December 2002, Arlandastad Outlet Village AB (together with its new venture 'At Home') is valued at Swedish Krone 103.9 million (approx. £7.395million; Valuation as at 31 December 2001 was Swedish Krone 130.0m), which equals its outstanding senior (non-recourse) loan balance with Aareal Bank AG. The deficit on revaluation has been charged to the group's profit and loss account.

On 7 July 2004, Arlandastad Outlet Village AB together with its new venture, was sold to Aareal Bank AG for Swedish Krone 1.

Notes to the financial statements

at 31 December 2002

12. Tangible fixed assets (continued)

On 31 December 2002, Zweibrücken Outlet Village Gmbh & Co. KG (Germany) is classified as 'Investment Properties' and reported at valuation. In the directors' opinion, substantiated by an external valuation carried out by Richard Ellis Insignia, the investment property is valued at €43.8m (£28.5m) as at 31 December 2002. The following should be noted in relation to the accounting and reporting of the results of the valuation:

	€	£
Investment property at valuation	43.8m	28.5m
Less: deferred cost of land * (see note below)	(3.8m)	(2.5m)
Investment property at valuation after adjusting for deferred cost of land	40.0m	26.0m
Investment property at historical cost	26.7m	17.3m
Surplus on valuation	13.3m	8.7m

*Note - Deferred cost of land:

Of the total cost of land of the project, an amount of €3.8m (£2.5m) falls due only upon sale of property. This deferred cost has not been included in the carrying value of the land and the associated liability has not been recognised.

The surplus arising from the valuation of this property has been taken direct to the revaluation reserve.

13. Fixed asset investments

	Shares in subsidiary undertaking £
Cost and net book value:	
At 1 January 2002 and 31 December 2002	4

Notes to the financial statements

at 31 December 2002

13. Fixed asset investments (continued)

Details of the investments in which the company holds at least 20% of the nominal value of any class of share capital are as follows:

Name of company	*Holding*	*Proportion of voting rights and shares*	*Nature of business*
Outlet Centres Limited	Ordinary shares	100%	Holding company
Outlet Centres International (UK) Limited	Ordinary shares	100%	Management services
Outlet Centres International BV	Ordinary shares	100%	Holding company
* Arlandastad Outlet Village AB	Ordinary shares	100%	Property development and investment
* Fashion Brands AB *(formerly Landskrona Outlet Village AB)*	Ordinary shares	100%	Retail services
* Outlet Centres International GmbH	Ordinary shares	100%	Holding company
~ Zweibrücken Outlet Village GmbH & Co. KG (Partnership)	Partnership share	75%	Property development and investment
~ Zweibrücken Outlet Village Beteiligungs GmbH	Ordinary 'A' shares	75%	General Partner

* Shares are held by Outlet Centres International BV

~ Shares are held by Outlet Centres International GmbH

Outlet Centres International BV is incorporated in the Netherlands. Arlandastad Outlet Village AB and Fashion Brands AB are incorporated in Sweden.

Zweibrücken Outlet Village GmbH & Co. KG is registered in Germany. Outlet Centres International GmbH and Zweibrücken Outlet Village Beteiligungs GmbH are incorporated in Germany.

14. Stocks

Stocks are held by Fashion Brands AB, the retail operation trading out of Arlandastad Outlet Village AB.

	2002	*2001*
	£	*£*
	31,630	130,332

Notes to the financial statements

at 31 December 2002

15. Debtors

	Group 2002	Group 2001	Company 2002	Company 2001
	£	£	£	£
Amounts falling due after one year:				
Amounts due from subsidiary undertakings	–	–	7,040,153	8,895,088
Amounts falling due within one year:				
Amounts due from parent company	–	1,010,078	–	1,010,078
Trade debtors	251,594	372,294	–	–
Other debtors	316,499	477,700	5	5
Prepayments and accrued income	1,840,507	1,444,163	–	–
	2,408,600	3,304,235	5	1,010,083

16. Creditors: amounts falling due within one year

	Group 2002	Group 2001	Company 2002	Company 2001
	£	£	£	£
Bank overdraft	44,951	517,882	–	–
Trade creditors	414,030	480,760	–	–
Other taxes and social security costs	50,717	45,775	–	–
Other creditors	49,280	439,049	2	2
Accruals	440,362	117,804	10,212	10,750
Secured loan (note 18)	8,179,104	7,156,040	–	–
	9,178,444	8,757,310	10,214	10,752

The total secured loans repayable within one year is analysed as follows:

a) £7,395,035 (SEK103.9m) is due to Aareal Bank AG, which entered into a loan agreement with Arlandastad Outlet Village AB to provide third party loan finance for the completion of a designer outlet centre in Arlandastad, Sweden. The initial term of the loan is 15 months from 2 November 1998, which converts into a 10 year facility subject to certain conditions being fulfilled. These conditions have not been fulfilled. Interest is charged on the loan at 1.4% per annum above STIBOR.

b) £784,069 is due to DG Hypotheken Bank AG, under the amortisation programme for Zweibrücken Outlet Village Gmbh & Co. KG – see further details under note 17.

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Notes to the financial statements

at 31 December 2002

17. Creditors: amounts falling due after more than one year

		Group		*Company*
	2002	*2001*	*2002*	*2001*
	£	*£*	*£*	*£*
Secured loan - maturing 16 February 2004	26,354,395	21,650,104	26,354,395	21,650,104
Secured loan - maturing 30 July 2015	14,914,676	14,430,250	–	–
Unsecured loan stock maturing 16 February 2009	4,728,517	4,323,914	4,728,517	4,323,914
Unsecured loan	1,533,858	1,341,400	–	–
	47,531,446	41,745,668	31,082,912	25,974,018

The secured loan maturing on 16 February 2004 is due to Mable Commercial Funding Limited, a wholly owned subsidiary of Lehman Brothers Holdings Inc., the company's ultimate parent undertaking. The loan is repayable on demand from 16 February 2004 and is secured by debenture over the assets of OCI Holdings Limited and its wholly owned subsidiary undertakings. Interest is charged on the loan at 3% per annum above LIBOR.

The secured loan maturing on 30 July 2015 is due to DG Hypotheken Bank AG (formerly Deutsche Genossenschaftsbank AG), the third party financier to Zweibrücken Outlet Village GmbH & Co. KG. The loan is secured on the project in Zweibrücken, Germany (registration of land with first priority). Interest is charged at 1% per annum above EURIBOR.

The unsecured loan stock is due to the shareholders of the company. The loan stock shall be repaid in full on the maturity date and interest is charged at 5% per annum above LIBOR. The maturity date means the earlier of (i) the date of an agreed exit, (ii) the date on which the shareholders' agreement terminates, and (iii) 16 February 2009.

The unsecured loan is due to Aircity GmbH & Co. KG, a partnership registered in Germany, which holds a minority share in Zweibrücken Outlet Village GmbH & Co. KG. Interest is charged at 3.25% per annum above EURIBOR.

18. Loans

		Group		*Company*
	2002	*2001*	*2002*	*2001*
	£	*£*	*£*	*£*
Amounts falling due:				
In one year or less, or on demand (note 16)	8,179,104	7,156,040	–	–
In more than 2 years but not more than 5 years (note 17)	31,220,883	24,451,799	26,354,395	21,650,104
In more than 5 years (note 17)	16,310,563	17,293,869	4,728,517	4,323,914
	55,710,550	48,901,708	31,082,912	25,974,018

Notes to the financial statements

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19. Share capital

				Authorised
	2002	*2001*	*2002*	*2001*
	No.	*No.*	*£*	*£*
Ordinary 'A' shares of £1 each	45,000	45,000	45,000	45,000
Ordinary 'B' shares of £1 each	5,000	5,000	5,000	5,000
	50,000	50,000	50,000	50,000

				Allotted, called up and fully paid
	2002	*2001*	*2002*	*2001*
	No.	*No.*	*£*	*£*
Ordinary 'A' shares of £1 each	45,000	45,000	45,000	45,000
Ordinary 'B' shares of £1 each	5,000	5,000	5,000	5,000
	50,000	50,000	50,000	50,000

Both ordinary 'A' shares of £1 each and ordinary 'B' shares of £1 each have proportional rights for voting and distribution of profits. However, the ordinary 'B' shares have the right to earn additional voting rights and distribution of profits if certain return requirements are met. Ordinary 'B' shareholders may also subscribe for further unsecured loan stock at a fixed price which will entitle them to enhanced voting rights and distribution of profits if certain return requirements are met.

20. Reconciliation of shareholders' deficit and movements on reserves

Group	*Revaluation reserve*	*Share capital*	*Profit and loss account*	*Total*
	£	*£*	*£*	*£*
At 31 December 2000	–	50,000	(14,241,177)	(14,191,177)
Loss for the year	–	–	(5,253,944)	(5,253,944)
Movement on currency translation	–	–	472,496	472,496
At 31 December 2001	–	50,000	(19,022,625)	(18,972,625)
Loss for the year	–	–	(5,990,779)	(5,990,779)
Movement on currency translation	–	–	(1,291,694)	(1,291,694)
Revaluation	6,083,902	–	–	6,083,902
At 31 December 2002	6,083,902	50,000	(26,305,098)	(20,171,196)

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at 31 December 2002

20. Reconciliation of shareholders' deficit and movements on reserves (continued)

Company	*Share capital*	*Profit and loss account*	*Total*
	£	*£*	*£*
At 31 December 2000	50,000	(8,768,059)	(8,718,059)
Loss for the year	–	(7,361,150)	(7,361,150)
At 31 December 2001	50,000	(16,129,209)	(16,079,209)
Loss for the year	–	(7,943,699)	(7,943,699)
At 31 December 2002	50,000	(24,072,908)	(24,022,908)

21. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £7,943,699 (2001 - £7,361,150).

22. Other financial commitments

At 31 December 2002 the company had no annual commitments under non-cancellable operating leases (2001 - £906,655).

23. Transactions with directors

The directors have the following interests in the unsecured loan stock (note 17) due to mature on 16 February 2009.

	Unsecured loan stock	
	2002	*2001*
	£	*£*
Binus Invest AB	384,106	384,106
Simon Taylor	65,977	65,977

Hans Dobke is a beneficiary of The Dobke Settlement which holds £93,021 of unsecured loan stock (2001 - £93,021).

24. Related party transactions

At the year end the group and company had the following balances with the following related parties in which the group has an equity interest of less than 90% during the year:

Company	*2002*	*2001*
	£	*£*
Amounts included within debtors: amounts falling due after one year:		
Zweibrücken Outlet Village GmbH & Co. KG	5,118,345	3,461,337

25. Capital commitments

As at 31 December 2002, Zweibrücken Outlet Village GmbH & Co. KG had made capital commitments (mainly fitout works for stores at the centre) in the amount of €497,694 (£324,294) to various tenants trading from the centre.

Notes to the financial statements

at 31 December 2002

26. Minority interest

The movement in minority interests is as follows:

	£
At 1 January 2002	–
Surplus on revaluation attributable to minority shareholder (30%)	2,607,386
Share of losses attributed to minority interest	(828,590)
At 31 December 2002	1,778,796

27. Ultimate parent undertaking

The ultimate parent undertaking is Lehman Brothers Holdings Inc., which is incorporated in the State of Delaware in the United States of America.

The parent undertaking of the largest group in which the company is a member and for which group financial statements are prepared is Lehman Brothers Holdings Inc. The parent undertaking of the smallest group in which they are consolidated is Lehman Brothers Spain Holdings Limited. The consolidated financial statements of Lehman Brothers Holdings Inc. and Lehman Brothers Spain Holdings Limited are available from 745 Seventh Avenue, New York, USA and from One Broadgate, London EC2M 7HA, respectively.