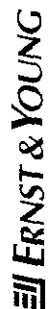


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M & W ZANDER FACILITY MANAGEMENT UK LIMITED

Report and Accounts

31 December 2001

 ERNST & YOUNG



DIRECTORS' REPORT

DIRECTORS

Mr A G Wells
Mr S Appleton
Mr D Coulson
Mr L Campbell

ALTERNATE DIRECTORS

Mr J Mulcahy

SECRETARY

Dr K J Thirwell
Mr J S Morrall

AUDITORS

Ernst & Young LLP
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AD

BANKERS

Dresdner Bank AG
London Branch
P O Box 18075
Riverbank House
2 Swan Lane
London
EC4R 3UX

HSBC Bank plc
77 Grainger Street
Newcastle upon Tyne
NE99 1SA

SOLICITORS

Hay & Kilner
Merchant House
30 Cloth Market
Newcastle upon Tyne
NE1 1EE

REGISTERED OFFICE

3 Cloth Street
Barbican
London
EC1A 7NP

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The profit after taxation for the year amounted to £874,000 (2000: £179,000). The directors do not recommend payment of a dividend, and therefore the profit has been transferred to reserves.

PRINCIPAL ACTIVITY

The principal activity of the company is the facility management of commercial properties.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The 2001 accounts show that the company achieved dramatic business growth year on year over the last three years.

The Board confirmed their satisfaction with the current profit performance and Company Profile and propose to continue this level of growth by applying a turnkey package offering the full range of services in the current market to meet client expectations, whilst aiming to grow all sectors of the business proportionally.

RESEARCH AND DEVELOPMENT

Currently within the business plan there are no plans to commit to a major research & development programme, however we are committed to improve and develop the cost of ownership model.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

| | |
|---------------|----------------------------|
| Mr A G Wells | |
| Mr G Johnson | (resigned 10 August 2001) |
| Mr S Appleton | (appointed 10 August 2001) |
| Mr D Coulson | (appointed 10 August 2001) |
| Mr L Campbell | (appointed 10 August 2001) |

ALTERNATE DIRECTORS

Mr J Mulcahy

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

DIRECTORS' REPORT

AUDITORS

Ernst & Young LLP were appointed as auditors during the year, following the resignation of KPMG.

By order of the board.



D Coulson
Director

1 February 2002

STATEMENT OF 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 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 to 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M & W ZANDER
FACILITY MANAGEMENT UK LIMITED**

We have audited the company's accounts for the year ended 31 December 2001 which comprise the profit and loss account, balance sheet, and the related notes 1 to 18. These accounts have been prepared on the basis of the accounting policies set out therein.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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.

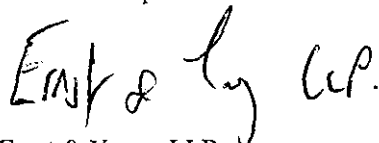
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Newcastle upon Tyne
1 February 2002

M & W Zander Facility Management UK Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

| | <i>Note</i> | <i>2001</i> £'000 | <i>Restated</i> <i>2000</i> £'000 |
|--|-------------|----------------------|---|
| TURNOVER | 2 | 18,173 | 6,932 |
| Cost of sales | | (15,845) | (5,614) |
| GROSS PROFIT | | 2,328 | 1,318 |
| Distribution costs | | (309) | (719) |
| Administrative expenses | | (754) | (334) |
| OPERATING PROFIT | 3 | 1,265 | 265 |
| Interest receivable and similar income | 6 | 5 | 18 |
| Interest payable and similar charges | 7 | (31) | (4) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,239 | 279 |
| Tax on profit on ordinary activities | 8 | (365) | (100) |
| PROFIT RETAINED FOR THE FINANCIAL YEAR | 15 | 874 | 179 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the year of £874,000 and the profit of £179,000 for the year ended 31 December 2000.

M & W Zander Facility Management UK Limited

BALANCE SHEET at 31 December 2001

| | <i>Note</i> | <i>2001 £'000</i> | <i>2000 £'000</i> |
|---|-------------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 445 | 321 |
| CURRENT ASSETS | | | |
| Stocks | 10 | 782 | 65 |
| Debtors | 11 | 2,011 | 1,079 |
| Cash at bank and in hand | | 791 | 661 |
| CREDITORS: amounts falling due within one year | 12 | 3,584 (2,935) | 1,805 (1,919) |
| NET CURRENT ASSETS/(LIABILITIES) | | 649 | (114) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,094 | 207 |
| Provisions for liabilities and charges | 13 | (13) | - |
| NET ASSETS | | 1,081 | 207 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 10 | 10 |
| Profit and loss account | 15 | 1,071 | 197 |
| EQUITY SHAREHOLDERS' FUNDS | 15 | 1,081 | 207 |

These accounts were approved by the board of directors and signed on their behalf by:



D Coulson
Director

1 February 2002

NOTES TO THE ACCOUNTS
at 31 December 2001

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated accounts.

As 100% of the company's voting rights are controlled within the group headed by Jenoptik AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated accounts of Jenoptik AG, within which this company is included, can be obtained from the address given in note 17.

Fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost, less the estimated residual value of all tangible fixed assets evenly over their estimated useful economic lives, as follows:

| | | |
|---|---|---------------|
| Plant and machinery | - | 25% per annum |
| Fixtures and fittings, tools and equipment | - | 25% per annum |
| Motor vehicles | - | 25% per annum |

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

Foreign currencies

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.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

| | | |
|---|---|--|
| Raw materials, consumables and goods for resale | - | purchase cost on a first-in, first-out basis. |
| Work in progress and finished goods | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity. |

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (as defined in Stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Deferred taxation

Deferred taxation is provided in full on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Comparative figures

Certain balances contained within the profit and loss account have been reclassified in order to reflect a fairer presentation in the accounts. The profit before tax for the year ended 31 December 2000 and net assets as at 31 December 2000 have not been affected by these reclassifications.

The effect of these reclassifications are as follows:

| | <i>Increase/(decrease)</i> £'000 |
|-------------------------|-------------------------------------|
| Cost of sales | 354 |
| Gross Profit | (354) |
| Distribution costs | (293) |
| Administrative expenses | (61) |

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is attributable to one continuing activity.

The directors have not disclosed an analysis of turnover and profit on ordinary activities before taxation as they do not believe it is in the interests of shareholders to publish such commercially sensitive data.

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS at 31 December 2001

3. OPERATING PROFIT

| | 2001 £'000 | 2000 £'000 |
|--|-------------------|-------------------|
| This is stated after charging: (crediting) | | |
| Auditors remuneration - audit | 11 | 10 |
| - other services | 30 | - |
| Depreciation of owned fixed assets | 123 | 72 |
| Exchange (gains)/losses | (74) | 5 |
| Operating lease rentals - land and buildings | 82 | - |
| - other | 62 | 53 |
| Bad debts (recovered)/charge | (302) | 459 |
| | <u> </u> | <u> </u> |

4. DIRECTORS' EMOLUMENTS

| | 2001 £'000 | 2000 £'000 |
|--|-------------------|-------------------|
| Emoluments | 662 | 193 |
| | <u> </u> | <u> </u> |
| Company contributions paid to money purchase pension schemes | 18 | 11 |
| | <u> </u> | <u> </u> |

There were four (2000: two) directors participating in the company's money purchase pension scheme during the year.

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

| | 2001 £'000 | 2000 £'000 |
|--|-------------------|-------------------|
| Emoluments | 309 | 153 |
| | <u> </u> | <u> </u> |
| Company contributions paid to money purchase pension schemes | 7 | 5 |
| | <u> </u> | <u> </u> |

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS at 31 December 2001

5. STAFF COSTS

| | 2001 £'000 | 2000 £'000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 3,552 | 1,858 |
| Social security costs | 289 | 199 |
| Other pension costs | 136 | 83 |
| | <u>3,977</u> | <u>2,140</u> |

The average monthly number of employees during the year, was as follows:

| | 2001 No. | 2000 No. |
|-------------------|-------------|-------------|
| Management | 15 | 15 |
| Sales and service | 45 | 41 |
| | <u>60</u> | <u>56</u> |

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2001 £'000 | 2000 £'000 |
|---------------|---------------|---------------|
| Bank interest | 5 | 18 |
| | <u>5</u> | <u>18</u> |

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2001 £'000 | 2000 £'000 |
|---------------------------|---------------|---------------|
| Bank loans and overdrafts | 31 | 4 |
| | <u>31</u> | <u>4</u> |

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2001 £'000 | 2000 £'000 |
|---|---------------|---------------|
| UK corporation tax | 374 | 100 |
| Corporation tax over provided in previous years | (22) | - |
| Deferred tax (note 13) | 8 | - |
| Deferred tax under provided in previous years (note 13) | 5 | - |
| | <u>365</u> | <u>100</u> |

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS at 31 December 2001

9. TANGIBLE FIXED ASSETS

| | <i>Plant and Machinery £'000</i> | <i>Fixtures fittings, tools and equipment £'000</i> | <i>Motor vehicles £'000</i> | <i>Total £'000</i> |
|---------------------|--|---|-------------------------------------|------------------------|
| Cost: | | | | |
| At 1 January 2001 | 208 | 181 | 15 | 404 |
| Additions | 170 | 77 | - | 247 |
| At 31 December 2001 | 378 | 258 | 15 | 651 |
| Depreciation: | | | | |
| At 1 January 2001 | 60 | 18 | 5 | 83 |
| Charge for the year | 63 | 56 | 4 | 123 |
| At 31 December 2001 | 123 | 74 | 9 | 206 |
| Net book value: | | | | |
| At 31 December 2001 | 255 | 184 | 6 | 445 |
| At 31 December 2000 | 148 | 163 | 10 | 321 |

There were no assets held under finance leases and hire purchase agreements.

10. STOCKS

| | <i>2001 £'000</i> | <i>2000 £'000</i> |
|------------------|-----------------------|-----------------------|
| Work in progress | 782 | 65 |

11. DEBTORS

| | <i>2001 £'000</i> | <i>2000 £'000</i> |
|------------------------------------|-----------------------|-----------------------|
| Trade debtors | 568 | 734 |
| Amounts owed by group undertakings | 1,154 | 280 |
| Other debtors | 262 | 14 |
| Prepayments and accrued income | 27 | 51 |
| | 2,011 | 1,079 |

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

12. CREDITORS: amounts falling due within one year

| | 2001 £'000 | 2000 £'000 |
|--|---------------|---------------|
| Payments on account on long term contracts | 90 | - |
| Trade creditors | 1,192 | 1,145 |
| Amounts owed to group undertakings | 4 | 159 |
| Corporation tax | 287 | 104 |
| Other taxes and social security costs | 224 | 181 |
| Other creditors | 958 | 65 |
| Accruals and deferred income | 180 | 265 |
| | <u>2,935</u> | <u>1,919</u> |

13. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

| | 2001 £'000 | 2000 £'000 |
|---------------------------------|---------------|---------------|
| At 1 January | - | - |
| Charge for the year | 8 | - |
| Underprovided in previous years | 5 | - |
| | <u>13</u> | <u>-</u> |
| At 31 December | | |

Deferred taxation provided in the accounts and the amounts not provided are as follows:

| | 2001 Provided £'000 | 2001 Not provided £'000 | 2000 Provided £'000 | 2000 Not provided £'000 |
|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Capital allowances in advance of depreciation | 13 | - | - | 5 |

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS at 31 December 2001

14. SHARE CAPITAL

| | 2001 £'000 | Authorised 2000 £'000 |
|----------------------------|---------------|-----------------------------|
| Ordinary shares of £1 each | 100 | 100 |

| | 2001 No. '000 | 2000 No. '000 | Allotted, called up and fully paid 2001 £'000 | 2000 £'000 |
|----------------------------|------------------|------------------|--|---------------|
| Ordinary shares of £1 each | 10 | 10 | 10 | 10 |

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

| | Share Capital £'000 | Profit and loss account £'000 | Total shareholders funds £'000 |
|---------------------|---------------------------|--|---|
| At 1 January 2000 | 10 | 18 | 28 |
| Profit for the year | - | 179 | 179 |
| At 31 December 2000 | 10 | 197 | 197 |
| Profit for the year | - | 874 | 874 |
| At 31 December 2001 | 10 | 1,071 | 1,081 |

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the share scheme are held separately from those of the company in an independently administered fund. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17. ULTIMATE PARENT COMPANY AND RELATED PARTIES

The company's immediate parent undertaking is M & W Zander Facility Management GmbH.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Jenoptik AG incorporated in Germany. Copies of its group accounts, which include the company are available from Jenoptik AG, Carl-Zeiss-Strasse 1, D-07739 Jena, Germany.

M & W Zander Facility Management UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

18. OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings</i> | | <i>Other</i> | |
|--------------------------------|---------------------------|--------------|--------------|--------------|
| | <i>2001</i> | <i>2000</i> | <i>2001</i> | <i>2000</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Operating leases which expire: | | | | |
| Within one year | - | - | 15 | 15 |
| In two to five years | - | - | 34 | 30 |
| Over five years | 102 | - | - | - |
| | <u>102</u> | <u>-</u> | <u>49</u> | <u>45</u> |