Worknorth II Limited
Annual Report and Accounts
for the year ended 31 March 2008

Registration number: 3152115

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for the year ended 31 March 2008

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Officers and professional advisers

Directors

G Muirhead
K Duncan

Secretary

E L Terry

Registered office

Olympic House
Manchester Airport
Manchester
M90 1QX

Bankers

The Co-Operative Bank plc
1 Balloon Street
Manchester
M60 4EP

Auditor

KPMG LLP
Chartered Accountants
Registered Auditor
St James' Square
Manchester
M2 6DS

Directors' Report

for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008.

Principal activities and review of business
Worknorth II Limited is an investment company and provides management consultancy services. It is primarily involved in seedcorn investment activities with start up high technology companies. During the year under review the company has continued with its policy of identifying and investing in high quality technology based start-ups. Activities are increasingly focused on fewer investments to enable resources to be maximised. The current economic situation has continued to result in opportunities for exit routes being temporarily delayed. The directors are satisfied about the future prospects of the company.

Dividends and transfers to reserves
The directors do not recommend payment of a dividend (2007: £nil). The loss for the year of £150,316 (2007: £1,730,834) has been transferred against reserves.

Principal risks and uncertainties
The key risk associated with Worknorth II Ltd's business is the uncertainty involved in investing in early stage companies, particularly high technology companies.

However, the directors of The Manchester Airport Group PLC manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that any further discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Worknorth II Ltd's business. The principal risks and uncertainties of The Manchester Airport Group PLC, which include those of the company, are discussed on page 17 of the group's annual report, which does not form part of this report.

Key performance indicators ("KPIs")
The company's directors believe that an analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Worknorth II Ltd. The development, performance and position of The Manchester Airport Group PLC, which includes the company, is discussed in the business review (page 7) and financial review (page 13) of the group's annual report.

Directors
The Directors who held office during the year are provided below:

R Pike (resigned November 2007)
G Muirhead
R Burns (resigned March 2008)
K Duncan (appointed March 2008)

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
A resolution to reappoint KPMG LLP as auditors to the Company will be proposed at the Annual General Meeting.

Directors' Report (continued)

for the year ended 31 March 2008

Charitable and political donations
There were no charitable or political donations made by the company in the year (2007:nil).

Directors' interests
The directors of the company who held office during the year to 31 March 2008 or thereafter had no interest in the shares of the company, the holding company or any other group companies.

By order of the Board
E.L.T

E L Terry
Secretary
9 January 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of Worknorth II Limited

We have audited the financial statements of Worknorth II Limited for the year ended 31 March 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in Group Shareholders' Funds and the related notes. These financial statements have been prepared under 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

Independent Auditors' Report to the Members of Worknorth II Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Kpmg LLP

KPMG LLP 9 January 2009

Chartered Accountants

Registered Auditor

Profit and loss account

for the year ended 31 March 2008

	Note	2008 £	2007 £
Turnover		9,150	14,235
Administrative expenses		(58,979)	(130,646)
Operating loss	2	(49,829)	(116,411)
Amounts provided against fixed asset investments		(201,136)	(1,515,814)
Loss before interest		(250,965)	(1,632,225)
Interest payable and similar charges		(1)	-
Loss on ordinary activities before taxation		(250,966)	(1,632,225)
Tax on loss on ordinary activities	3	100,650	(98,609)
Loss for the financial year	11	(150,316)	(1,730,834)

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

The Company has no recognised gains or losses other than the loss for the financial year. Accordingly no statement of total recognised gains and losses has been presented.

The profit and loss account shown above relates to the continuing operations of the group.

Reconciliation of movements in group shareholders' funds

for the year ended 31 March 2008

	2008 £	2007 £
Loss for the financial year	(150,316)	(1,730,834)
Opening shareholders' funds	(7,881,774)	(6,150,940)
Closing shareholders' funds	(8,032,090)	(7,881,774)

Balance sheet

as at 31 March 2008

	Note		2008		2007
		£	£	£	£
Fixed assets					
Tangible assets	4	-		-	
Investments	5	-		-	
			-		-
Current assets					
Debtors	6	**27,538**		34,644	
Cash at bank and in hand		**179**		-	
		27,717		34,644	
Creditors: amounts falling due within one year	7	**(6,059,807)**		(5,916,418)	
Net current liabilities			**(6,032,090)**		(5,881,774)
Total assets less current liabilities			**(6,032,090)**		(5,881,774)
Creditors: amounts falling due after more than one year	9		**(2,000,000)**		(2,000,000)
Net liabilities			**(8,032,090)**		(7,881,774)
Capital and reserves					
Called up share capital	10		**100**		100
Profit and loss account	11		**(8,032,190)**		(7,881,874)
Total shareholders' deficit			**(8,032,090)**		(7,881,774)

The financial statements on pages 7 to 15 were approved by the Board of Directors on 9 January 2009

Signed on behalf of the Board of Directors

Kenneth

K Duncan
Director

Statement of accounting policies

Principal accounting policies
These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently throughout the year, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year, is set out below.

In accordance with Section 228 of the Companies Act 1985, the company is exempt from the obligation to prepare and deliver group accounts. Therefore, these financial statements reflect the results of the company as an individual company and not as a group.

Cash flow
As permitted by Financial Reporting Standard 1, the company has not presented a cash flow statement as the company is included in the group consolidated financial statements of its ultimate parent undertaking, the Manchester Airport Group PLC, whose financial statements are publicly available.

Tangible fixed assets
Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	40%
Computer equipment	33%
Fixtures and fittings	20%

Investments
Fixed asset investments are stated at cost less any provision for diminution in value.

Share capital
Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Government grants
The company is in receipt of two grants from the European Regional Development Fund. There is a capital grant towards the fund available for investment. In accordance with the articles of Association, in the event of a winding up, the grant would be utilised against any losses sustained by the company. The shareholders agreement to limit the life of the company allows the anticipation of the winding up and the allocation of this grant against any losses incurred. The unutilised element of the grant is treated as deferred income.

There is a revenue grant in respect of up to 50% of certain eligible administrative costs, which is credited to administration expenses in the year they are incurred.

Statement of accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

In accordance with Financial Reporting Standard ('FRS') 19, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of investment properties or operational assets where there is no commitment to sell the assets.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements

for the year ended 31 March 2008

1. Information regarding directors and employees

	2008 £	2007 £
Directors' emoluments		
Fees	-	48,528
Total emoluments	-	48,528

	Number	Number
Average number of persons employed		
Administration	1	1

Staff costs during the year		
Wages and salaries	20,410	39,780
Social security costs	2,223	4,197
	22,633	43,977

2. Operating loss

	2008 £	2007 £
Operating loss is after charging:		
Audit of these financial statements	3,851	4,500

3. Tax on loss on ordinary activities

	2008 £	2007 £
Current taxation		
UK corporation tax based on the loss for the year	-	-
Adjustment in respect of prior year	(100,000)	98,609
Total current tax	(100,000)	98,609
Deferred taxation		
Origination of timing differences	279	-
Adjustment in respect of prior year	(929)	-
Total deferred taxation	(650)	-
Total tax (credit)/ charge for the year	(100,650)	98,609

3. Tax on profit on ordinary activities (continued)

In March 2007, it was announced that the standard rate of corporation tax will change to 28% in April 2008 and that there will be changes to capital allowance legislation, impacting on the calculation of the deferred tax provision of the company. Deferred tax assets and liabilities are recognised using the applicable rate of corporation tax at the expected date of reversal

Factors affecting the current tax charge for the year

The tax for the year ended 31 March 2008 is higher than the standard rate of corporation tax in the UK of 30%. A detailed reconciliation is set out in the following table:

	2008	2007
	£	£
Loss on ordinary activities before tax	**(250,966)**	(1,632,225)
Loss on ordinary activities multiplied by standard rate in the UK (30%; 2007: 30%)	**(75,290)**	(489,667)
Effects of:		
Expenses not deductible for tax purposes	-	454,744
Capital allowances in excess of depreciation	**(232)**	(310)
Adjustments to prior year tax charge	**(100,000)**	98,609
Group relief surrendered	**75,522**	35,233
Current tax (credit)/ charge for the year	**(100,000)**	98,609

4. Tangible fixed assets

	Leasehold Improve-ments	**Computer equipment**	**Fixtures And Fittings**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 April 2007	829	35,828	9,466	46,123
Additions	-	-	-	-
At 31 March 2008	**829**	**35,828**	**9,466**	**46,123**
Accumulated depreciation				
At 1 April 2007	829	35,828	9,466	46,123
Charge for the year	-	-	-	-
At 31 March 2008	**829**	**35,828**	**9,466**	**46,123**
Net book value				
At 31 March 2008	-	-	-	-
At 31 March 2007	-	-	-	-

5. Fixed asset investments

	£
Company	
Cost	
At 1 April 2007	9,261,131
Additions	201,136
At 31 March 2008	**9,462,267**
Provision	
At 1 April 2007	9,261,131
Provided in the year	201,136
At 31 March 2008	**9,462,267**
Net book value	
At 31 March 2008	-
At 31 March 2007	-

6. Debtors

	2008 £	2007 £
Trade debtors	**18,982**	33,246
Other debtors	**6,548**	-
Prepayments and accrued income	**1,358**	1,398
Deferred taxation (note 8)	**650**	-
	27,538	34,644

7. Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	-	2,601
Amounts owed to subsidiary undertaking	**410,631**	413,709
Amounts owed to group undertakings	**5,649,176**	5,495,606
Other taxation & social security	-	1,654
Accruals and deferred income	-	2,848
	6,059,807	5,916,418

8. Deferred taxation

	2008 £	2007 £
Depreciation in excess of capital allowances	650	-
	650	-

The company has a deferred tax asset in respect of fixed timing differences, which has originated but not reversed by the balance sheet date. In the directors' opinion, it is more likely than not that the amount will be recovered.

9. Creditors: amounts falling due after one year

	2008 £	2007 £
"A" Redeemable non-cumulative participating preference shares of £1 each	450,000	450,000
"B" redeemable cumulative participating 7% preference shares of £1 each	1,550,000	1,550,000
	2,000,000	2,000,000

The redeemable preference A shares and the redeemable preference B shares are redeemable in total, but not in part, at any time after 31 March 1999 at the request of the holders of the majority of such shares. The shares are redeemable at par.

Preference shareholders are entitled to receive notice of all General Meetings, but not to attend or vote unless there are arrears of dividends or the meeting is considering, inter alia, winding up the company or varying the rights attached to the Preference Shares.

Income

All shares bear the same rights to income. Provided certain conditions detailed in the Articles of Association are met, dividends are payable such that in aggregate, all dividends paid since incorporation are equal to the amount that the nominal value of the shares would have yielded since subscription at a compound interest rate of 100 basis points below the base rate of the Co-operative Bank plc. Provided certain further conditions detailed in the Articles of Association are met, dividends are payable such that in aggregate, all dividends paid since incorporation do not exceed the amount that the nominal value of the shares would have yielded since subscription at a compound interest rate of 25% per annum.

Capital

On return of capital in a winding up, surplus assets of the company shall be applied as follows. First, in paying any arrears or deficiency on the first dividend described above. Second, in paying the paid up amounts of shares such that the holders of the redeemable preference B shares are paid first, the holders of the redeemable preference A shares are paid second and the holders of the ordinary shares are paid third.

10. Called up share capital

	2008 £	2007 £
Authorised		
100 ordinary shares of £1 each	**100**	100
	100	100
Called up, allotted and fully paid		
100 ordinary shares of £1 each	**100**	100
	100	100

11. Reserves

	Profit and loss account £
At 1 April 2007	(7,881,874)
Loss for the financial year	(150,316)
At 31 March 2008	**(8,032,190)**

12. Related party transactions

As a wholly owned subsidiary of The Manchester Airport Group PLC, The Company has taken advantage of the exemptions under Financial Reporting Standard 8 not to disclose intra group transactions.

The company purchased £ nil (2007: £38,527) of services from Seedcorn Investment Management Limited during the year, a company controlled by Paul Barraclough. At the year end the balance owing to Seedcorn Investment Management was £nil (2007: £nil).

13. Ultimate parent undertaking

The ultimate parent undertaking is the Manchester Airport Group PLC, a company registered in England and Wales. Copies of the parent company's consolidated financial statements may be obtained from the Registered Office, PO Box 532, Town Hall, Manchester M60 2LA.