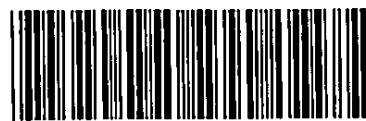


COMPANY NUMBER
3791808

ROCK DEFORMATION RESEARCH LIMITED

ACCOUNTS for the year ended 31 July 2008

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ROCK DEFORMATION RESEARCH LIMITED

ACCOUNTS

for the year ended 31 July 2008

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REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 31 July 2008

PRINCIPAL ACTIVITIES

The Company's principal activity is the production, sale and marketing of fault seal products and the provision of services to the oil industry. The activities include research and development of products.

DIRECTORS

The director who served during the year were:

P. Locke

Professor R. J. Knipe

Professor B. W. Yardley

Professor P. Mackie

(Resigned 31 July 2008)

I Pollock

(Appointed 1 November 2007)

S Freeman

(Appointed 1 February 2008)

Professor J Francis

(Appointed 1 August 2008)

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

SMALL COMPANIES EXEMPTIONS

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

APPROVED BY THE BOARD and signed on its behalf :



H.M. Smith

Company Secretary

06 November 2008

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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; 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 the financial statements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ROCK DEFORMATION RESEARCH LIMITED

We have audited the financial statements of Rock Deformation Research Limited for the year ended 31 July 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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.

Opinion

In our opinion:

- * the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Practice, of the state of the company's affairs as at 31 July 2008 and of its profit 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.

Deloitte + Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

27 November 2008

ROCK DEFORMATION RESEARCH LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 July 2008

	Note	2008	2007
TURNOVER		2,399,265	2,336,440
Cost of sales		(1,411,529)	(1,032,490)
GROSS PROFIT		987,736	1,303,950
Administrative expenses		(859,676)	(1,253,764)
OPERATING PROFIT		128,060	50,186
Interest receivable		31,971	25,974
Interest payable		(1,386)	(1,453)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	158,645	74,707
Tax on profit on ordinary activities	4	(53,569)	(21,873)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION and FOR THE FINANCIAL YEAR	12	£ 105,076	£ 52,834

All amounts relate to continuing operations

There are no recognised gains or losses other than as disclosed above and accordingly, no statement of total recognised gains and losses is shown.

ROCK DEFORMATION RESEARCH LIMITED

BALANCE SHEET

31 July 2008

	Note	2008	2007
FIXED ASSETS			
Intangible assets	5	-	-
Tangible assets	6	88,253	64,587
		<u>88,253</u>	<u>64,587</u>
CURRENT ASSETS			
Stocks		8,924	5,535
Debtors	7	892,795	1,066,131
Cash at bank and in hand		726,434	488,650
		<u>1,628,153</u>	<u>1,560,316</u>
CREDITORS - amounts falling due within one year			
Trade creditors		90,905	51,217
Payments received on account		225,427	409,407
Corporation tax		32,092	17,000
Amount owed to subsidiary undertaking		111,784	20,523
Other taxation and social security		19,463	20,985
Other creditors		11,864	12,468
Accruals and deferred income		588,770	562,278
		<u>1,080,305</u>	<u>1,093,878</u>
NET CURRENT ASSETS		547,848	466,438
TOTAL ASSETS LESS CURRENT LIABILITIES		£ 636,101	£ 531,025
Representing:			
CAPITAL AND RESERVES			
Called up share capital	11	300,000	300,000
Profit and loss account	12	336,101	231,025
SHAREHOLDERS' FUNDS - equity interests	13	£ 636,101	£ 531,025

The financial statements were approved by the Board on 6 November 2008



P. Locke
Director

ROCK DEFORMATION RESEARCH LIMITED**ACCOUNTING POLICIES**

for the year ended 31 July 2008

The following accounting policies have been applied consistently in the year and the preceding year.

CONVENTION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and in accordance with the historical cost convention.

TANGIBLE FIXED ASSETS AND DEPRECIATION

For all tangible fixed assets depreciation is calculated to write off their cost less estimated residual value by the equal instalments over period of their estimated economic lives as follows :-

Fixtures, fittings, tools and equipment - 3 to 4 years

INTANGIBLE FIXED ASSETS AND AMORTISATION

For all intangible assets amortisation is calculated to write off their cost by equal instalments over 20 years which is their estimate useful economic life.

In compiling the annual financial statements regard is given generally as to whether there has been a likelihood of impairment due to particular market trends or other known circumstances.

LEASE CONTRACTS

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

FOREIGN CURRENCY

Where supplies are obtained on terms denominated in foreign currency, the liability is initially recognised in the financial statements at the rate of exchange ruling at the date of the transaction. The liability is reflected in the financial statements at the rate of exchange ruling at the balance sheet date or at the amount to be paid where currency purchase arrangements have been made at the balance sheet date. Disparities between the amount reflected in the financial statements and the amount of sterling subsequently required to settle the liability are reflected in the reported results of the subsequent period.

PENSION SCHEMES

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the scheme.

TAXATION

Current tax, including UK corporation and foreign 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 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 financial statements. 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.

ROCK DEFORMATION RESEARCH LIMITED**ACCOUNTING POLICIES**

for the year ended 31 July 2008

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

TURNOVER

Turnover represents the income receivable, excluding value added tax, in the ordinary course of business for services provided.

Where arrangements are made for invoices to be raised in advance of the company fulfilling its obligations then an estimate of the invoiced amounts attributable to work undertaken by the company before the balance sheet date based on the progress of the projects is included. To the extent that the invoiced amounts exceed the amounts attributable to work undertaken then payments received on account are reflected in the balance sheet.

In respect of long term contracts, revenue is recognised based on the value of work carried out during the year with reference to the total sales value and stage of completion of these contracts.

GROUP ACCOUNTS

The financial statements present information about the company as an individual undertaking and not as a group. This is because the company has taken advantage of the exemption available within Section 228 of the Companies Act 1985 not to prepare consolidated group accounts on the basis that it is an intermediate holding company. As such the accounts present only information on the company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

1	PROFIT ON ORDINARY ACTIVITY BEFORE TAXATION	2008	2007
	is arrived at after charging :-		
	Depreciation	£ 36,579	£ 33,319
	Operating leases		
	Rental costs of land and building	£ 33,852	£ 33,852
	Equipment	£ 5,367	£ 3,339
	Auditors remuneration	£ 4,392	£ 3,899
	Research and development	£ -	£ 61,900

In the opinion of the directors disclosure of geographical markets supplied would seriously prejudice the company and details are therefore not disclosed.

2	DIRECTORS AND RELATED PARTY TRANSACTIONS	2008	2007
	Aggregate amount of emoluments	£ 116,758	£ 36,483
	Aggregate value of company contributions to pension schemes	£ 12,210	£ -
	Number of directors to whom retirement benefits accrue under the schemes	2	0
	Aggregate amount paid to third parties for directors' services	£ 147,263	£ 284,130

Included above are emoluments of the highest paid director of £147,263 (2007: £284,130). There were no contributions to pension schemes for the highest paid director (2007: £Nil)

3	EMPLOYEES	2008	2007
	The average number employed by the company (including directors) was:	23	23
	The costs incurred were:		
	Wages and salaries	865,630	892,974
	Social security costs	74,996	96,309
	Other pension costs	114,918	109,789
		£ 1,055,544	£ 1,099,072

At the balance sheet date unpaid pension contributions amounted to £11,863, (2007: £12,468).

4	TAXATION	2008	2007
	Based on the results of the year :-		
	UK Corporation Tax		
	On profits of the year	44,000	17,000
	Under-provision for previous year	569	1,873
	Total current tax	44,569	18,873
	Deferred tax at an average rate of 30% (2007: 30%)		
	Timing differences	9,000	3,000
	Total deferred tax	9,000	3,000
	Tax charge/(credit)	£ 53,569	£ 21,873
	Factors affecting tax charge for year :-		
	Profit on ordinary activities before taxation	£ 158,645	£ 74,707

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2008

4	TAXATION (continued)	2008	2007
	Profit on ordinary activities before taxation multiplied by 30% (2007: 30%)	47,594	22,412
	Effects of :		
	Permanent differences - overprovision for previous year	171	562
	Permanent differences - expenses not deductible for tax purposes	1,448	2,864
	Permanent differences - expenses enhanced for tax purposes	(4,100)	(4,828)
	Depreciation for the period in excess of capital allowances	(544)	(2,137)
	Current tax charge for the year	<u>£ 44,569</u>	<u>£ 18,873</u>
	The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.		
5	INTANGIBLE FIXED ASSETS	Intellectual property Rights	
	COST		
	At 1 August 2007 and 31 July 2008		200,000
	AMORTISATION		
	At 1 August 2007 and 31 July 2008		200,000
	NET BOOK VALUE		
	At 31 July 2008	<u>£</u>	<u>-</u>
	At 1 August 2007	<u>£</u>	<u>-</u>
6	TANGIBLE FIXED ASSETS	Fixtures, fittings, tools and equipment	
	COST		
	At 1 August 2007		168,291
	Additions		60,245
	Disposals		-
	At 31 July 2008		<u>228,536</u>
	DEPRECIATION		
	At 1 August 2007		103,704
	Charge for the year		36,579
	Disposals		-
	At 31 July 2008		<u>140,283</u>
	NET BOOK VALUE		
	At 31 July 2008	<u>£</u>	<u>88,253</u>
	At 1 August 2007	<u>£</u>	<u>64,587</u>
7	DEBTORS	2008	2007
	Trade debtors	684,987	820,391
	Other debtors	11,256	2,710
	Amounts owed by ultimate holding company	29,135	6,358
	Deferred tax (Note 8)	8,000	17,000
	Prepayments and accrued income	159,417	219,672
		<u>£ 892,795</u>	<u>£ 1,066,131</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2008

8 DEFERRED TAX	2008	2007
ASSET		
Capital allowances	£ 8,000	£ 17,000
At 1 August 2007	17,000	20,000
(Charge) to profit and loss account for the period	(9,000)	(3,000)
At 31 July 2008	£ 8,000	£ 17,000

In deriving these amounts the anticipated rate of Corporation Tax to be applicable is 30% (2007: 30%)
No discounting for timing of future reversals is reflected in these figures.

9 SUBSIDIARY UNDERTAKING

The company owns all the shares of Rock Deformation Research USA Inc, a company incorporated in the USA which is a contractor for services to the oil industry.

The company has taken advantage of the exemption available within Section 228 of the Companies Act 1985 not to prepare consolidated group accounts on the basis that it is an intermediate holding company. As such, the accounts present only information on the company.

At 31 July 2008 the aggregate surplus of the share capital and reserves of Rock Deformation Research USA Inc amounted to £142,931 and its reported profit for the year ended 31 July 2008 was £97,160

10 ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the ultimate parent and controlling party is the University of Leeds.
The company is a subsidiary of The University of Leeds which is registered in England and Wales.

The immediate controlling party is the University of Leeds.

Copies of the consolidated financial statements of the group into which the company is consolidated are available from University of Leeds, Leeds, LS2 9JT.

11 SHARE CAPITAL	2008	2007
Authorised		
3,000,000 ordinary shares of £0.10 each (2007: 3,000,000)	300,000	300,000
1 "A" share of £0.10 (2007: 1)	-	-
	£ 300,000	£ 300,000
Allotted, called up and fully paid		
3,000,000 ordinary shares of £0.10 each (2007: 3,000,000)	300,000	300,000
1 "A" share of £0.10 (2007: 1)	-	-
	£ 300,000	£ 300,000

The ordinary shares and the "A" share rank equally for rights to dividends, their priority and the amount receivable on a winding up and voting rights. The holder of the "A" share is entitled to appoint one person as a director to the Board.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

12 SHAREHOLDERS' FUNDS - EQUITY INTEREST

	Share capital	Profit and loss account
At 1 August 2007	300,000	231,025
Profit for the year	-	105,076
At 31 July 2008	£ 300,000	£ 336,101

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008	2007
Profit for the financial year and net addition to shareholders' funds	105,076	52,834
Opening shareholders' funds	531,025	478,191
CLOSING SHAREHOLDERS' FUNDS	£ 636,101	£ 531,025

14 CASH FLOW

The company qualifies as a small company under the terms of S247 of the Companies Act 1985. As a consequence it is exempt from the requirement to publish a cash flow statement.

15 FINANCIAL COMMITMENTS

The company is required to make payments during the twelve months following the Balance Sheet date as a consequence of operating leases:

	2008		2007	
	Land and Buildings	Other	Land and Buildings	Other
Expiring in less than one year	£ -	£ 835	£ 3,050	£ -
Expiring in two to five years	£ 30,800	£ 4,867	£ -	£ 3,340
Expiring after five years	£ -	£ -	£ 30,800	£ -

ROCK DEFORMATION RESEARCH LIMITED

ADDITIONAL INFORMATION REPORT

for the year ended 31 July 2008

The additional information on pages 12 to 15 has been prepared from the accounting records of the company. While it is not audited and does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

ROCK DEFORMATION RESEARCH LIMITED

TRADING ACCOUNT

for the year ended 31 July 2008

	2008	2007
SALES	2,399,265	2,336,440
COST OF SALES	1,411,529	1,032,490
GROSS PROFIT	987,736	1,303,950
OVERHEADS:		
Directors and staff costs	707,350	962,145
Establishment expenses	47,422	53,079
Sales and marketing expenses	88,506	69,240
Administrative expenses	145,836	127,139
Financial expenses	66,392	71,210
Depreciation	36,579	33,319
PhD and MSc supervision and support	-	18,686
Gift aid	66,000	264,000
Transfer to WIP - overhead absorption	(298,409)	(282,029)
	859,676	1,316,789
	128,060	(12,839)
Income from PhD and MSc supervision and support	-	(63,025)
Finance costs	(30,585)	(24,521)
	(30,585)	(87,546)
PROFIT BEFORE TAXATION	£ 158,645	£ 74,707

SCHEDULE TO THE TRADING ACCOUNT
 for the year ended 31 July 2008

	2008	2007
STAFF REMUNERATION		
Gross salaries and bonus	760,130	702,974
Employers NIC	62,997	60,309
Severance pay	7,500	-
Accrued bonus and NIC	110,000	223,000
Recharge by RDR USA Inc	-	2,107
Pension scheme contributions - staff	114,918	109,789
London allowance	-	1,396
Online filing rebate	(250)	(250)
Recharge to RDR USA Inc	(34,892)	(11,411)
Exchange rate adjustment re previous year bonus	(79)	-
	1,020,324	1,087,914
Recharge by University of Leeds	147,263	284,130
Allocation of opening bonus accrual	-	(15,872)
	1,167,587	1,356,172
Less: transfer to work in progress	(460,237)	(394,027)
	£ 707,350	£ 962,145
ESTABLISHMENT EXPENSES		
Rent	30,800	30,800
Service charges	7,714	11,337
Cleaning	2,472	2,472
Insurance	-	937
Car park	1,515	1,125
Maintenance of premises	522	2,014
Alarm rental and maintenance	123	118
Material department - rent	3,052	3,052
Material department - running costs	1,224	1,224
	£ 47,422	£ 53,079
SALES AND MARKETING EXPENSES		
Conferences	16,421	14,842
Conference - travel	24,978	22,777
Promotional items	31,065	18,047
Promotional expenses - travel	589	7,311
Sponsorship	250	2,000
Travel insurance	1,094	823
Advertising	14,015	3,434
Credit card expenses	94	6
	£ 88,506	£ 69,240

SCHEDULE TO THE TRADING ACCOUNT
for the year ended 31 July 2008

	2008	2007
ADMINISTRATIVE EXPENSES		
Telephone	9,819	5,219
Printing and stationery	6,061	6,629
Photocopying	5,512	6,135
Lease of photocopier	5,367	3,339
Computer consumables	7,131	5,556
Postage	1,286	2,305
Material department - SEM	4,468	4,490
Insurance	11,896	9,714
Computer software	30,469	32,146
Internet	139	455
Repairs to equipment	8,706	7,730
Repairs - admin F&F	-	170
Training	5,501	6,446
Training - travel costs	4,357	4,355
Books and journals	2,324	1,688
Membership subscriptions	1,805	1,522
Office refreshments	2,975	2,573
Staff recruitment	802	5,487
Staff entertaining	5,682	2,161
Non-staff entertaining	778	792
Sundry expenses	1,324	863
Donations	400	-
Laboratory travel	1,233	625
Laboratory consumables	4,536	7,100
Laboratory postage	-	591
Laboratory testing	1,500	75
Laboratory sundry expenses	69	60
Non-billable travel and subsistence	3,379	3,601
PHD fees paid and not recharged	5,850	-
Earth sciences consultancy recharge	8,184	-
UIIEEE costs	-	36
USA Placement costs	4,283	5,276
	<u>£ 145,836</u>	<u>£ 127,139</u>
FINANCIAL EXPENSES		
Accountancy support	18,000	18,000
Bookkeeping	6,255	5,010
Professional fees	4,673	652
Fees - trade marks	14,515	12,300
IT consultancy	2,900	1,850
Trade marks	3,081	14,712
Audit fees	4,392	3,899
Company secretarial fees	6,000	6,000
Legal fees	897	3,220
China professional support	-	888
Keyman insurance	3,107	2,801
Bank charges	1,014	889
Overdraft arrangement fee	1,200	600
Foreign exchange commission	54	55
Credit card charges	304	334
	<u>£ 66,392</u>	<u>£ 71,210</u>

SCHEDULE TO THE TRADING ACCOUNT
for the year ended 31 July 2008

	2008	2007
DEPRECIATION		
Computer equipment	12,644	14,671
Laboratory equipment	812	1,791
Fixtures, fittings and equipment	5,407	5,201
Computer software	16,466	11,656
Website	1,250	-
	<u>£ 36,579</u>	<u>£ 33,319</u>
FINANCE COSTS		
Bank interest received	(31,949)	(25,941)
IR repayment interest received	(22)	(33)
	<u>(31,971)</u>	<u>(25,974)</u>
Credit card interest	1,386	1,453
	<u>£ (30,585)</u>	<u>£ (24,521)</u>