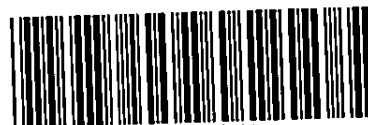


COMPANY NUMBER  
3791808

**ROCK DEFORMATION RESEARCH LIMITED**

**REPORT AND FINANCIAL STATEMENTS**  
for the year ended  
31 July 2009

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**ROCK DEFORMATION RESEARCH LIMITED**

**ACCOUNTS**

for the year ended 31 July 2009

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**REPORT OF THE DIRECTORS**

The Directors present their report and financial statements for the year ended 31 July 2009. This Directors' report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime, part 15 Companies Act 2006.

**GOING CONCERN**

In assessing the appropriateness of the application of the going concern basis, the Directors have considered the uncertainties around the general economic environment, the current and future trading performance of the Company and the available cash. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**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 Directors who served during the year and up to the date of this report were as follows:

Professor J Francis	(Appointed 1 August 2008, resigned 10 July 2009)
S. Freeman	
Professor R. J. Knipe	
P. Locke	(Resigned 30 November 2008)
Professor P. J. Mackie	(Resigned 1 August 2008, appointed 1 November 2008, resigned 10 July 2009)
I. Pollock	
R. J. Rule	(Appointed 10 July 2009)
B. S. Smith	(Appointed 10 July 2009)
Professor B. W. Yardley	

**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 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 and to establish that the Company's auditors are aware of that information.

This confirmation should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP. A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

APPROVED BY THE BOARD and signed on its behalf :



H. M. Smith  
4 November 2009

## **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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention 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 legislations 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 2009 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

This report is made solely to the Company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurances that the financial statements are free from material misstatement, whether caused by fraud or error. This includes assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements:

- \* give a true and fair view of the state of the Company's affairs as at 31 July 2009 and of its profit for the year then ended;
- \* have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and;
- \* have been prepared in accordance with requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matter on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- \* adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- \* the financial statements are not in agreement with the accounting records and returns; or
- \* certain disclosures of Directors' remuneration specified by law are not made; or
- \* we have not received all the information and explanations required for our audit; or
- \* the Directors were not entitled to prepare the financial statements in accordance with the small companies regime or take advantage of the small companies exemption in preparing the Directors' report



Christopher Powell FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Leeds

11 December 2009

## ROCK DEFORMATION RESEARCH LIMITED

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 July 2009

	Note	2009	2008
TURNOVER		<b>1,913,575</b>	2,399,265
Cost of sales		<b>( 1,018,827 )</b>	( 1,411,529 )
GROSS PROFIT		<b>894,748</b>	987,736
Administrative expenses		<b>( 890,469 )</b>	( 859,676 )
Other operating income		<b>14,330</b>	-
OPERATING PROFIT		<b>18,609</b>	128,060
Interest receivable		<b>14,651</b>	31,971
Interest payable		<b>( 1,306 )</b>	( 1,386 )
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	<b>31,954</b>	158,645
Tax on profit on ordinary activities	4	<b>( 10,307 )</b>	( 53,569 )
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION and FOR THE YEAR	12	<b>£ 21,647</b>	<b>£ 105,076</b>

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**

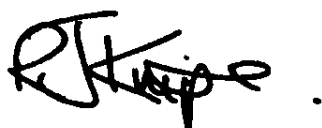
31 July 2009

	Note	2009	2008
<b>FIXED ASSETS</b>			
Intangible assets	5	-	-
Tangible assets	6	67,025	88,253
		<u>67,025</u>	<u>88,253</u>
<b>CURRENT ASSETS</b>			
Stocks - work in progress		19,224	8,924
Debtors - amounts falling due with one year	7	894,066	892,795
Cash at bank and in hand		588,279	726,434
		<u>1,501,569</u>	<u>1,628,153</u>
<b>CREDITORS - amounts falling due within one year</b>			
Trade creditors		213,171	90,905
Payments received on account		238,102	225,427
Corporation tax		2,770	32,092
Amounts owed to ultimate holding company		102,068	-
Amount owed to subsidiary undertaking		69,865	111,784
Other taxation and social security		16,231	19,463
Other creditors		11,317	11,864
Accruals and deferred income		257,322	588,770
		<u>910,846</u>	<u>1,080,305</u>
<b>NET CURRENT ASSETS</b>		<b>590,723</b>	<b>547,848</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>£ 657,748</b>	<b>£ 636,101</b>
Representing:			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	300,000	300,000
Profit and loss reserve	12	357,748	336,101
<b>TOTAL SHAREHOLDERS' FUNDS</b>	13	<b>£ 657,748</b>	<b>£ 636,101</b>

The accounting policies and notes on pages 6 to 11 are an integral part of this balance sheet.

These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) and the provisions applicable to companies subject to the small companies regime under Section 413 of the Companies Act 2006.

The financial statements were approved by the Board of Directors on 4 November 2009



R.J. Knipe

**ROCK DEFORMATION RESEARCH LIMITED****ACCOUNTING POLICIES**

for the year ended 31 July 2009

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.

**GOING CONCERN**

In assessing the appropriateness of the application of the going concern basis, the Directors have considered the uncertainties around the general economic environment, the current and future trading performance of the Company and the available cash. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**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.

**STOCKS**

Stocks are valued at the lower of cost and net realisable value. Cost is defined as the expenditure incurred in the normal course of business in bringing the products to their present condition. Net realisable value is the estimated selling price less any future costs to completion.

**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.



**ROCK DEFORMATION RESEARCH LIMITED****ACCOUNTING POLICIES**

for the year ended 31 July 2009

**PENSION SCHEMES**

The pension scheme for the Company's staff is the University of Leeds Pension and Assurance Scheme (PAS). The scheme is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The fund is valued every three years by actuaries using the projected unit method, the rates of contribution being determined by the trustees on the advice of the actuaries.

The cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur in the financial statements of the Holding Company. They are recognised outside the Income and Expenditure Account and in the Statement of Total Recognised Gains and Losses.

In the accounts of the Company 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.

**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 400 of the Companies Act 2006 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.

## ROCK DEFORMATION RESEARCH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2009

1 PROFIT ON ORDINARY ACTIVITY BEFORE TAXATION	2009	2008
is arrived at after charging/(crediting) :-		
Depreciation	£ 51,044	£ 36,579
Profit on disposal of fixed assets	£ ( 520 )	£ -
Fees payable to the company's auditors for audit of the financial statements	£ 4,176	£ 4,392
Fees payable to the company's auditors for other services	£ 350	£ -
Operating leases		
- Rental costs of land and building	£ 30,800	£ 33,852
- Equipment	£ 6,119	£ 5,367
Research and development	£ 139,909	£ -
Dividends received	£ ( 14,330 )	£ -

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	2009	2008
Aggregate amount of emoluments	£ 145,537	£ 116,758
Aggregate value of company contributions to pension schemes	£ 21,710	£ 12,210
Number of directors to whom retirement benefits accrue under the schemes	2	2
Aggregate amount paid to third parties for directors' services	£ 123,293	£ 147,263

Included above are emoluments of the highest paid director of £123,293 (2008: £147,263). There were no contributions to pension schemes for the highest paid director (2008: £Nil)

On 10 July 2009 R. Rule was appointed as a director of the company. R Rule was also a director of Combigen Limited and Redfish Ventures Limited which provided consultancy services on an arms length basis to the Company. Combigen Limited and Redfish Ventures Limited invoiced the company £17,500 for consultancy services prior to the date of R. Rule's appointment as a director. At the balance sheet date £9,245 was unpaid.

3 EMPLOYEES	2009	2008
The average number employed by the company (including directors) was:	23	23
The costs incurred were:		
Wages and salaries	633,613	865,630
Social security costs	5,220	74,996
Other pension costs	103,914	114,918
	£ 742,747	£ 1,055,544

At the balance sheet date unpaid pension contributions amounted to £11,317, (2008: £11,863).

## ROCK DEFORMATION RESEARCH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2009

4 TAXATION	2009	2008
Based on the results of the year :-		
UK Corporation Tax		
On profits of the year	13,000	44,000
Under-provision for previous year	3,307	569
Total current tax	<u>16,307</u>	<u>44,569</u>
Deferred tax at an average rate of 28% (2008: 30%)		
Timing differences	( 6,000 )	9,000
Total deferred tax	<u>( 6,000 )</u>	<u>9,000</u>
Tax charge	<u>£ 10,307</u>	<u>£ 53,569</u>
Factors affecting tax charge for year :-		
Profit on ordinary activities before taxation	<u>£ 31,954</u>	<u>£ 158,645</u>
Profit on ordinary activities before taxation multiplied by 28% (2008: 30%)	8,947	47,594
Effects of :		
Permanent differences - overprovision for previous year	3,307	171
Permanent differences - expenses not deductible for tax purposes	2,152	1,448
Permanent differences - income not included for tax purposes	( 4,012 )	-
Permanent differences - expenses enhanced for tax purposes	-	( 4,100 )
Depreciation for the period less than/(in excess of) capital allowances	5,913	( 544 )
Current tax charge for the year	<u>£ 16,307</u>	<u>£ 44,569</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 2008 and 31 July 2009	200,000
AMORTISATION	
At 1 August 2008 and 31 July 2009	200,000
NET BOOK VALUE	
At 31 July 2009	<u>£ -</u>
At 31 July 2008	<u>£ -</u>
6 TANGIBLE FIXED ASSETS	Fixtures, fittings, tools and equipment
COST	
At 31 July 2008	228,536
Additions	29,816
Disposals	( 964 )
At 31 July 2009	<u>257,388</u>
DEPRECIATION	
At 31 July 2008	140,283
Charge for the year	51,044
Disposals	( 964 )
At 31 July 2009	<u>190,363</u>
NET BOOK VALUE	
At 31 July 2009	<u>£ 67,025</u>
At 31 July 2008	<u>£ 88,253</u>

## ROCK DEFORMATION RESEARCH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 July 2009

<b>7 DEBTORS</b>	<b>2009</b>	<b>2008</b>
Trade debtors	<b>787,580</b>	684,987
Other debtors	<b>12,759</b>	11,256
Amounts owed by ultimate holding company	-	29,135
Deferred tax (Note 8)	<b>14,000</b>	8,000
Prepayments and accrued income	<b>79,727</b>	159,417
	<b>£ 894,066</b>	<b>£ 892,795</b>
<b>8 DEFERRED TAX</b>	<b>2009</b>	<b>2008</b>
<b>ASSET</b>		
Capital allowances	<b>£ 14,000</b>	<b>£ 8,000</b>
At 1 August 2008	<b>8,000</b>	17,000
Credit/(charge) to profit and loss account for the period	<b>6,000</b>	( 9,000 )
<b>At 31 July 2009</b>	<b>£ 14,000</b>	<b>£ 8,000</b>

In deriving these amounts the anticipated rate of Corporation Tax to be applicable is 28% (2008: 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 400 of the Companies Act 2006 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 2009 the aggregate surplus of the share capital and reserves of Rock Deformation Research USA Inc amounted to £117,595 and its reported loss for the year ended 31 July 2009 was £905.

**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.

<b>11 SHARE CAPITAL</b>	<b>2009</b>	<b>2008</b>
<b>Authorised</b>		
3,000,000 ordinary shares of £0.10 each	<b>300,000</b>	300,000
1 "A" share of £0.10	-	-
	<b>£ 300,000</b>	<b>£ 300,000</b>
<b>Allotted, called up and fully paid</b>		
3,000,000 ordinary shares of £0.10 each	<b>300,000</b>	300,000
1 "A" share of £0.10	-	-
	<b>£ 300,000</b>	<b>£ 300,000</b>

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 2009

**12 SHAREHOLDERS' FUNDS - EQUITY INTEREST**

	<b>Share capital</b>	<b>Profit and loss account</b>
At 1 August 2008	300,000	336,101
Profit for the year	-	21,647
<b>At 31 July 2009</b>	<b>£ 300,000</b>	<b>£ 357,748</b>

**13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2009</b>	<b>2008</b>
Profit for the financial year and net addition to shareholders' funds	21,647	105,076
Opening shareholders' funds	636,101	531,025
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>£ 657,748</b>	<b>£ 636,101</b>

**14 CASH FLOW**

The company qualifies as a small company under the terms of S382 of the Companies Act 2006.  
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:

	<b>2009</b>		<b>2008</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
Expiring in less than one year	£ -	£ -	£ -	£ 835
Expiring in two to five years	£ 30,800	£ 4,867	£ 30,800	£ 4,867