

Registered No. 08058443

UK Seabed Resources Limited

Report and Financial Statements

Year ended 31 December 2015



Directors

L Reiners
P Ruddock
R Spickermann
J Warren
C Williams

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton SO14 3QB

Bankers

Citibank
Canada Square
Canary Wharf
London E14 5LB

Registered Office

Legal Counsel Building 7000
Langstone Technology Park
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2015.

Results and dividends

The loss for the year amounted to £678,396 (2014: £45,877). The directors do not recommend a final dividend (2014: £nil).

Going concern

Whilst the company is not yet generating revenue, it is funded by way of capital investment from its parent undertaking Lockheed Martin UK Holdings Limited. This parent undertaking has provided assurances to the directors of the company that it will continue to support the company's activities for the foreseeable future.

On the basis of their assessment of the company's financial position and of the enquiries made and assurances received from its parent, the directors expect that the company will be able to continue in operational existence for the foreseeable future. Therefore the directors have adopted the going concern basis of accounting in preparing the annual financial statements.

Directors

The directors who served the company during the year were as follows:

Stephen Ball	(resigned 31 December 2015)
Linda Reiners	

Additionally the following directors and secretaries were appointed after year end.

Directors

Peter Ruddock	(appointed 18 January 2016)
Ralph Spickermann	(appointed 18 January 2016)
Jennifer Warren	(appointed 18 January 2016)
Christopher Williams	(appointed 18 January 2016)

Secretaries

Chanel Bradden	(appointed 7 March 2016)
Jeffrey Fasick	(appointed 7 March 2016)
John Stevens	(appointed 7 March 2016)

Directors' liabilities

The company has indemnified the directors of against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

Directors' report (continued)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



P. Ruddock
(Director)

Date 28 SEP 16

Strategic Report

Principal activity and review of business

The principal activity of the company is to hold licences from UK and International agencies for the purposes of underwater seabed exploration.

Principal risks and uncertainties

The principal risk is that the collection of polymetallic nodules from the seabed is either environmentally or commercially not viable. The company has been funded by Lockheed Martin UK Holdings Ltd, and is ultimately backed by the parent company Lockheed Martin Corporation that has provided the funding for this venture.

Future developments

UK Seabed Resources Limited together with its sister company Seabed Resources Development Limited intends to continue to engage in the exploration of the Clarion-Clipperton fracture zone in the Pacific Ocean for polymetallic nodules.

In line with Lockheed Martin's continued commitment to this venture, the immediate parent company, Lockheed Martin UK Holdings Ltd, has made an additional capital contribution to the company of £850,000 during February 2016.



P. Ruddock.
(Director)

Date 28 SEP 16

Statement of directors' responsibilities

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 FRS 102 – the financial reporting standard applicable in the UK. As this is the first year of transition, the 2014 financial statements have been restated to reflect the FRS 102 standard in order to disclose comparable data. 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 judgments and estimates that are reasonable and prudent;
- state whether applicable FRS 102 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 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 and detection of fraud and other irregularities.



P. Ruddock
(Director)

Date 28 SEP 16

Independent auditors' report

to the members of UK Seabed Resources Limited

We have audited the financial statements of UK Seabed Resources Limited for the year ended 31 December 2015 which comprise an Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 and express an opinion on 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 Practices Board'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 assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report (continued)

to the members of UK Seabed Resources Limited

Matters 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 we require for our audit; or

Ernst & Young LLP

Geraint Davies (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

Southampton

Date: 30 September 2016

Income Statement

for the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover		—	—
Cost of sales		—	—
Gross Profit		—	—
Administration expenses		(678,396)	(39,836)
Operating Loss		(678,396)	(39,836)
Interest payable and similar charges	3	—	(6,041)
Loss on ordinary activities before taxation		(678,396)	(45,877)
Taxation	4	—	—
Loss for the financial period		(678,396)	(45,877)

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2015

There are no additional items of comprehensive income for the year ended 31 December 2015 other than the loss for the period of £678,396 (2014: £45,877).

Statement of Financial Position

at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Investments	5	18,317	12
Intangible assets	6	—	—
		<u>18,317</u>	<u>12</u>
Current assets			
Cash at bank and in hand		77,144	326,029
Creditors: amounts falling due within one year	7	(447,816)	—
Net current (liabilities) / assets		<u>(370,672)</u>	<u>326,029</u>
Net assets (liabilities) / assets		<u>(352,355)</u>	<u>326,041</u>
Capital and reserves			
Called up share capital	8	1,000,000	1,000,000
Profit and loss account		<u>(1,352,355)</u>	<u>(673,959)</u>
Shareholders' (deficit) / funds		<u>(352,355)</u>	<u>326,041</u>



P Ruddock

(Director)

Date: 28 SEP 16

Statement of Changes in Equity

At 31 December 2015

	Issued share capital	Profit and loss account	Total
	£	£	£
Balance as at 1 January 2014	1	(628,082)	(628,081)
Loss for the year	-	(45,877)	(45,877)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	1	(673,959)	(673,958)
Issue of shares	999,999	-	999,999
Dividends paid	-	-	-
At 31 December 2014	1,000,000	(673,959)	326,041
Loss for the year	-	(678,396)	(678,396)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	1,000,000	(1,352,355)	(352,355)
Issue of shares	-	-	-
Dividends paid	-	-	-
At 31 December 2015	1,000,000	(1,352,355)	(352,355)

Notes to the Financial Statements

For the year ended 31 December 2015

1. Accounting policies

Basis of preparation

UK Seabed Resources Limited is a limited liability company incorporated in England. The Registered Office address is Lockheed Martin UK Limited, Legal Counsel Building 7000, Langstone Technology Park, Langstone, Havant, Hampshire, PO9 1SW.

The financial statements of UK Seabed Resources Limited were approved for issue by the Board of Directors on the date shown on the balance sheet.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Information on the impact of first-time adoption of FRS 102 is given in note 12.

The preparation of the financial statements in compliance with FRS 102 requires the use of certain accounting estimates.

Group financial statements

The company has utilised the exemption available under section 401 of the Companies Act 2006, as a wholly owned subsidiary undertaking whose ultimate parent undertaking has prepared applicable group financial statements which include the company and its subsidiary and joint venture undertakings. Accordingly, these financial statements present information about the company as an individual undertaking and not about its group.

The company has utilised the exemption under FRS 102 section 1.12 as a subsidiary undertaking whose ultimate parent undertaking prepares consolidated group financial statements that are publicly available, and has adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes,
- Financial instrument disclosures and hedge accounting disclosures
- Share-based payment arrangements
- Key management personnel compensation

Investments

The company has an investment in a jointly controlled entity. The investment will be accounted for under the cost model, and is measured at cost less accumulated impairment losses.

Intangible assets

Intangible assets are initially recorded at cost.

Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements

For the year ended 31 December 2015

Accounting policies (continued)

Deferred Taxation (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

2. Directors' remuneration

	2015	2014
	£	£
Remuneration	-	13,550

The remuneration note above relates to qualifying services provided to the company which is borne by a fellow subsidiary undertaking. One director was eligible for the company pension scheme and was a member during the year (2014: one director).

3. Interest payable and similar charges

	2015	2014
	£	£
Interest on loan from parent undertaking	-	6,041
	-	6,041

The Intercompany loan from the parent undertaking was repaid in 2014.

4. Taxation

(a) Tax on loss on ordinary activities

The tax balance is made up as follows:

	2015	2014
	£	£
Current tax:		
UK corporation tax on the loss for the period	-	-
Total current tax	-	-
Deferred tax:		
Deferred tax	-	-
Tax on loss on ordinary activities	-	-

Notes to the Financial Statements

For the year ended 31 December 2015

4. Tax (continued)

(b) Factors affecting the current tax for the year

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	678,396	45,877
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	137,352	9,859
<i>Effects of:</i>		
Losses carried forward	(136,187)	(8,634)
Expenses not deductible for tax purposes	(1,165)	(1,225)
Current tax for the year (note 4(a))	—	—

There is a non-recognised deferred tax asset in respect of losses carried forward of £241,361 (2014: £133,651).

5. Investments

Cost:	<i>Total</i> £
At 1 January 2015	12
Additions in the period	631,960
At 31 December 2015	631,972
Impairment:	£
At 1 January 2015	—
Impairment charged in the period	613,655
At 31 December 2015	613,655
Net book value:	
At 1 January 2015	12
At 31 December 2015	18,317

In 2013 UK Seabed Resources Ltd purchased a 19.9% holding in a Singapore based company, Ocean Mineral Singapore Pte Ltd. In 2015 Ocean Mineral Singapore Pte. Ltd was paid an additional £184,144 following a capital call to shareholders. A further £447,816 is due to be paid as part of the capital call but at 31 December 2015 this amount was outstanding to be paid. The company's share in this joint venture remains at 19.9%. An impairment charge was made in 2015 to reduce the carrying value of the investment down to the company's share of the joint venture's net assets, as no revenue arising from future operations has yet been forecast with sufficient levels of certainty.

Notes to the Financial Statements

For the year ended 31 December 2015

6. Intangible assets

Licenses

	<i>Total</i>
	£
Cost:	
At 1 January 2015	495,737
Additions in the period	—
At 31 December 2015	<u>495,737</u>
Amortisation / Impairment:	
At 1 January 2015	(495,737)
Impairment charged in the period	—
At 31 December 2015	<u>(495,737)</u>
Net book value:	
At 1 January 2015	—
At 31 December 2015	<u>—</u>

Exploration licenses are amortised over the shorter of the term of the license and their expected useful economic lives. All licenses recorded as at 31 December 2015 have a license term of 13 years. A full impairment charge was made in 2013 as no revenue arising from the licences have yet been agreed as forecast with sufficient levels of certainty.

7. Creditors: amounts falling due within one year

	2015	2014
	£	£
Amount owed to fellow subsidiary undertaking	447,816	—
	<u>447,816</u>	<u>—</u>

8. Issued share capital

		2015		2014
	No.	£	No.	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,000,000	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

Notes to the Financial Statements

For the year ended 31 December 2015

9. Capital commitments

There were no contracted or non-contracted capital commitments at 31 December 2015 (2014: £nil).

10. Related party transactions

The Company has utilised the exemption under FRS 102 as a subsidiary undertaking not to disclose transactions with other entities that are wholly owned parts of, or investors of, the Lockheed Martin Corporation group.

The Company has been involved in transactions with Ocean Mineral Singapore Pte. Ltd. During 2015 as detailed in note 5.

There were no other related party transactions.

11. Ultimate parent undertaking and controlling party

The directors regard Lockheed Martin Corporation, a company registered in the USA, as the ultimate parent undertaking and controlling party. Copies of the ultimate parent's group financial statements may be obtained from Lockheed Martin Investor Department, 6801 Rockledge Drive, Bethesda, Maryland, 28017, USA. Lockheed Martin Corporation is the parent undertaking of the largest and smallest Group of undertakings for which group financial statements are drawn up and of which the company is a member.

The company's immediate parent undertaking is Lockheed Martin UK Holdings Limited. Copies of the financial statements of this company may be obtained from its registered office, Lockheed Martin UK Limited, Legal Counsel Building 7000, Langstone Technology Park, Langstone, Havant, Hampshire, PO9 1SW.

12. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. Due to the nature of the transactions in the company, there was no impact in equity or profit and loss from the transition to FRS 102 in the 2014 accounts.