

UK Seabed Resources Limited

Report and Financial Statements

Year ended 31 December 2017



Directors

Peter Ruddock
Jennifer Warren
Christopher Williams

Auditors

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

Bankers

Citibank
Canada Square
Canary Wharf
London E14 5LB

Registered Office

Lockheed Martin UK Limited
Legal Counsel Building 7000
Langstone Technology Park
Langstone
Havant
Hampshire
PO9 1SW

Registered No. 08058443

Directors' report

The directors present their report and financial statements for the year ended 31 December 2017.

Results and dividends

The loss for the year amounted to £55,004 (2016: £165,719). The directors do not recommend a final dividend (2016: £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:

Peter Ruddock	
Ralph Spickermann	(resigned 6 September 2017)
Jennifer Warren	
Christopher Williams	

Secretaries

Chanel Bradden	
Jeffrey Fasick	(resigned 11 May 2017)
John Stevens	(resigned 11 May 2017)
Christopher Williams	(appointed 11 May 2017)

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



C. Williams
(Director)

Date 26 March 2018

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.

As the company exists to hold licenses which are utilised by its sister company, UK Seabed Resources Development Ltd, which is currently in an exploratory phase of its long term business plan, the company does not have any key performance indicators.

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.



C. Williams
(Director)

Date 26 March 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the financial statements and then apply them consistently;
- make judgments and accounting 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK SEABED RESOURCES LIMITED

Opinion

We have audited the financial statements of UK Seabed Resources Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement Of Financial Position, the Statement of Changes in Equity and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP

Geraint Davies (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

29th March 2018

Income Statement

for the year ended 31 December 2017

	Notes	2017 £	2016 £
Turnover		—	—
Cost of sales		—	—
Gross Profit		—	—
Administration expenses		(55,004)	(165,719)
Operating Loss		(55,004)	(165,719)
Interest payable and similar charges		—	—
Loss on ordinary activities before taxation		(55,004)	(165,719)
Taxation	4	—	—
Loss for the financial period		(55,004)	(165,719)

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2017

There are no additional items of comprehensive income for the year ended 31 December 2017 other than the loss for the period of £55,004 (2016: £165,719).

Statement of Financial Position

at 31 December 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments	5	—	3,544
Intangible assets	6	—	—
		—	3,544
Current assets			
Cash at bank and in hand		156,956	357,258
Debtors	7	131,477	—
		288,433	357,258
Creditors: amounts falling due within one year	8	(11,511)	(28,876)
Net current assets		276,922	328,382
Net assets		276,922	331,926
Capital and reserves			
Called up share capital	9	1,850,000	1,850,000
Profit and loss account		(1,573,078)	(1,518,074)
Shareholders' funds		276,922	331,926

The financial statements were approved by the Board of Directors and authorised for issue on 26 March 2018.



C. Williams
(Director)

Date: 26 March 2018

Statement of Changes in Equity

At 31 December 2017

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total share-holders funds</i>
	£	£	£
At 1 January 2016	1,000,000	(1,352,355)	(352,355)
Loss for the year	—	(165,719)	(165,719)
Other comprehensive income	—	—	—
Issue of shares	850,000	—	850,000
Dividends paid	—	—	—
At 31 December 2016	<u>1,850,000</u>	<u>1,518,074</u>	<u>331,926</u>
Loss for the year	—	(55,004)	(55,004)
Other comprehensive income	—	—	—
Issue of shares (note 9)	—	—	—
Dividends paid	—	—	—
At 31 December 2017	<u>1,850,000</u>	<u>(1,573,078)</u>	<u>276,922</u>

Notes to the Financial Statements

For the year ended 31 December 2017

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.

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.

Notes to the Financial Statements Continued

For the year ended 31 December 2017

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.

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. Operating Loss

This is stated after charging:

	2017 £	2016 £
Auditors' remuneration — audit services	11,500	15,620
— non-audit services	1,957	2,000
	<u>13,457</u>	<u>17,620</u>

3. Directors' remuneration

	2017 £	2016 £
Remuneration	<u>102,679</u>	<u>64,231</u>

Director's remuneration above is paid and borne by a fellow subsidiary undertaking of Lockheed Martin Corporation. Two directors were eligible and one was a member of the company pension scheme during the year (2016 – one director).

Notes to the Financial Statements Continued

For the year ended 31 December 2017

4. Taxation

(a) Tax on loss on ordinary activities

The tax balance is made up as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax on the loss for the period	—	—
Total current tax	—	—
Deferred tax:		
Deferred tax	—	—
Tax on loss on ordinary activities	—	—

(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 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	55,004	165,719
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.0%)	10,588	33,144
Effects of:		
Losses carried forward	(9,906)	(29,220)
Expenses not deductible for tax purposes	(682)	(3,924)
Current tax for the year (note 4(a))	—	—

There is a non-recognised deferred tax asset in respect of losses carried forward of £261,537 (2016: £252,789).

Notes to the Financial Statements Continued

For the year ended 31 December 2017

5. Investments

	<i>Total</i>
Cost:	£
At 1 January 2017	631,972
Additions in the period	-
At 31 December 2017	<u>631,972</u>
Impairment:	£
At 1 January 2017	628,428
Impairment charged in the period	3,544
At 31 December 2017	<u>631,972</u>
Net book value:	
At 1 January 2017	<u>3,544</u>
At 31 December 2017	<u>-</u>

In 2013 UK Seabed Resources Ltd purchased a 19.9% holding in a Singapore based company, Ocean Mineral Singapore Pte. Ltd. The company's share in this joint venture remains at 19.9%. An impairment charge was made in 2017 to reduce the carrying value of the investment to nil to reflect the negative equity position of the joint venture at the balance sheet date, as no revenue arising from future operations has yet been forecast with sufficient levels of certainty.

6. Intangible assets

Licenses

	<i>Total</i>
Cost:	£
At 1 January 2017	495,737
Additions in the period	-
At 31 December 2017	<u>495,737</u>
Amortisation / Impairment:	
At 1 January 2017	(495,737)
Impairment charged in the period	-
At 31 December 2017	<u>(495,737)</u>
Net book value:	
At 1 January 2017	<u>-</u>
At 31 December 2017	<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 2017 have a license term of 11 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.

Notes to the Financial Statements Continued

For the year ended 31 December 2017

7. Debtors

	2017	2016
	£	£
Amounts owed from fellow subsidiary undertaking	131,477	–
	<u>131,477</u>	<u>–</u>

8. Creditors: amounts falling due within one year

	2017	2016
	£	£
Amount owed to fellow subsidiary undertaking	–	20,376
Accruals	11,511	8,500
	<u>11,511</u>	<u>28,876</u>

9. Issued share capital

	No.	2017	No.	2016
		£		£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	1,850,000	<u>1,850,000</u>	<u>1,850,000</u>	<u>1,850,000</u>

10. Capital commitments

There were no contracted or non-contracted capital commitments at 31 December 2017 (2016: £nil).

11. 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.

There were no other related party transactions.

12. 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, 20817, 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.