Registered number: 08058443

UK SEABED RESOURCES LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

UK SEABED RESOURCES LIMITED

COMPANY INFORMATION

Directors	Christopher Williams Peter Ruddock Jennifer Warren
Registered number	08058443
Registered office	Lockheed Martin Uk Limited Legal Counsel Building 7000 Langstone Technology Park Langstone Hampshire PO9 1SW
Independent auditors	Ernst & Young LLP Wessex House 19 Threefield Lane Southampton SO14 3QB
Bankers	Citibank Canada Square Canary Wharf London E14 5LB

UK SEABED RESOURCES LIMITED

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UK SEABED RESOURCES LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

This report was approved by the board and signed on its behalf.

C. Williams
(Director)

Date: 27/3/19

UK SEABED RESOURCES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year amounted to £191,664 (2017: £55,004). The directors do not recommend a final dividend (2017: £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 during the year were:

Christopher Williams
Peter Ruddock
Jennifer Warren

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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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 company's financial statements and then apply them consistently;
- make judgments 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 to 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.

This report was approved by the board and signed on its behalf.

C. Williams
(Director)

Date: 27/3/19

INDEPENDENT AUDITORS' 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 2018, which comprise the Income statement, 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 Financial Reporting Standard 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 state of the company's affairs as at 31 December 2018 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 Auditors' 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UK SEABED RESOURCES LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditors' report thereon. The directors areresponsible for their other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UK SEABED RESOURCES LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Auditors' 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 auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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 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.

Ernst + Young LLP

David Marshall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

28/3/2019

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Administrative expenses		(191,664)	(55,004)
Operating loss before tax	2	(191,664)	(55,004)
Taxation	4	-	-
Loss for the financial year		(191,664)	(55,004)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Loss for the financial year		(191,664)	(55,004)
Other comprehensive income		-	-
Total comprehensive income for the year		(191,664)	(55,004)

UK SEABED RESOURCES LIMITED
REGISTERED NUMBER: 08058443

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Non - current assets			
Investments	5	-	-
Intangible assets	6	-	-
		-	-
Current assets			
Debtors: amounts falling due within one year	7	18,530	131,477
Cash at bank and in hand		471,675	156,956
		490,205	288,433
Creditors: amounts falling due within one year	8	(104,947)	(11,511)
Net current assets		385,258	276,922
Total assets less current liabilities		385,258	276,922
Net assets		385,258	276,922
Capital and reserves			
Called up share capital	9	2,150,000	1,850,000
Profit and loss account		(1,764,742)	(1,573,078)
		385,258	276,922

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

C. Williams
(Director)

Date: 27/3/19

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,850,000	(1,518,074)	331,926
Loss for the year	-	(55,004)	(55,004)
At 1 January 2018	1,850,000	(1,573,078)	276,922
Loss for the year	-	(191,664)	(191,664)
Issue of shares	300,000	-	300,000
At 31 December 2018	2,150,000	(1,764,742)	385,258

1. Accounting policies

1.1 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.

1.2 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; and
- Key management personnel compensation.

1.3 Valuation of investments and joint ventures

Investments in subsidiaries and joint ventures are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Income statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1. Accounting policies (continued)

1.4 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; 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.

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

1.6 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income statement within 'other operating income'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Auditors remuneration - audit services	10,800	11,500
- non-audit services	-	1,957
Exchange differences	-	(701)

3. Directors' remuneration

	2018 £	2017 £
Remuneration	158,886	102,679

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 (2017 – Two directors were eligible and one was a member).

4. Taxation

	2018 £	2017 £
Total current tax	-	-
Total deferred tax	-	-
Tax charge	-	-

4. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(191,664)	(55,004)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(36,416)	(10,588)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,804	682
Unrelieved tax losses carried forward	32,612	9,906
Total tax charge for the year	-	-

There is a non-recognised deferred tax asset in respect of losses carried forward of £290,711 (2017: £261,537)

5. Fixed asset investments

	Investment in joint ventures £
Cost or valuation	
At 1 January 2018	631,972
At 31 December 2018	631,972
Impairment	
At 1 January 2018	631,972
At 31 December 2018	631,972
At 31 December 2018	-
At 31 December 2017	-

5. Fixed asset investments (continued)

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 or future income arising from future operations has yet been forecast with sufficient levels of certainty.

6. Intangible assets

	Licences £
Cost	
At 1 January 2018	495,737
At 31 December 2018	495,737
Amortisation	
At 1 January 2018	495,737
At 31 December 2018	495,737
Net book value	
At 31 December 2018	-
At 31 December 2017	-

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 2018 have a license term of 10 years. A full impairment charge was made in 2013 as no revenue arising from the licences have yet been agreed or forecast with sufficient levels of certainty.

7. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	18,530	131,477
	18,530	131,477

8. Creditors: Amounts falling due within one year

	2018 £	2017 £
Accruals and deferred income	104,947	11,511
	104,947	11,511

9. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2,150,000 (2017 - 1,850,000) Ordinary shares of £1.00 each	2,150,000	1,850,000

During the year an additional 300,000 ordinary shares of £1 each were issued to Lockheed Martin UK Holdings Ltd for consideration of £300,000.

These shares carried normal ordinary share voting and capital distribution rights.

10. Subseqent events

In January 2019 the company had entered into an agreement to uptake an additional 1,194,000 of ordinary $0.10 shares in Ocean Mineral Singapore Pte Ltd for consideration of $119,400.

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, 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.