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Thalassa Holdings Limited - THAL Further Statement re: Relocation of UK Operations
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Thalassa Holdings Ltd
(Reuters: THAL.L, Bloomberg: THAL: LN)
("Thalassa" or the "Company")

Further Statement re: Relocation of UK Operations

Thalassa, an international holding company with interests in marine geophysical services and autonomous robotics, is making a statement following the recent inaccurate press coverage (the "Coverage") made without recourse to the Company or its advisers regarding the lease entered into by the Company with Eastleigh Court Limited ("ECL") for 10,000 sq ft of office space at Eastleigh Court on 3 October 2014 (the "Lease" and the "Property").

The Lease was entered into in order to move the Company's principal UK operations from Bude in Cornwall to an area closer to London and Heathrow and Gatwick airports, which the Independent Directors (i.e. the Board excluding Duncan Soukup by reason of his interest in ECL) believe is crucial to attracting specialist and highly skilled personnel and to running an international business.

As ECL is owned by Mr Soukup, Thalassa's Executive Chairman, the Company announced that it had entered into this agreement and reported on it accordingly as a related party transaction on 3 October 2014.

Given that terms had not been agreed by the Company with ECL in relation to leasing the office space at the Property, the Company had no obligation to make any announcement in relation to the Lease in the July Trading Update; it would have been misleading to do so until the terms of the same were settled. The Lease had also not been entered into at the time of the Interim Results Announcement and was therefore not capable of being disclosed at that time.

The terms of the Lease, as previously stated, are for a rental at £12 psf for a period of 10 years commencing 1 October 2014 to demonstrate to its employees the Company's long term commitment to the Property. The Independent Directors would emphasise that the overriding factor in the Company's decision to rent the Property from ECL was that, in their opinion, it presented the best value for money for the Company and its Shareholders, having considered the options and potential means of financing a new premises available to the Company at the time. Yield was also discussed and the Independent Directors concluded that it was impossible to accurately calculate yield, as the maintenance and full renovation costs, which ECL is responsible for, will not be known until building works have been concluded.

Notwithstanding this, the Independent Directors wanted to make a "best estimate" of the yield and to do so used the actual cost of purchasing the Property of £1,425,000, 4% stamp duty of £57,000 and legal fees of £7,500, a total up front cost of £1,489,500. The initial estimate of renovation costs as submitted by ECL's architect amount to £230,000, making the aggregate up front and renovation costs

£1,719,500 and giving ECL a theoretical yield of 6.98% before taking into account the additional costs of maintenance, service and operation of the Property, all of which are ECL's responsibility.

Eastleigh Court is a 13,000 sq ft property on a 15 acre campus, which includes Eastleigh Court and Eastleigh Stables, and the opportunity to expand, if needed, at some point in the future formed part of the Board's decision making process when considering the Lease. This information has not been included in any previous disclosure, as the Company has no current need for the space and because rent would be negotiable at the appropriate time, but not to exceed £12 psf.

There are no other service charges or other ancillary costs attached to the Lease payable to ECL. The rates payable are estimated at ca. £2-4 psf, subject to further discussion with the Council.

When the Independent Directors reviewed other properties in the region that could have met their criteria as to size and length of lease, they established that all of the other office premises reviewed were at a cost premium to Eastleigh Court. The Independent Directors' review was further underpinned by the understanding that £12 psf was an achievable market rent for the Property. This opinion was supported by documentary evidence of 37, mainly rural, properties in the greater Wessex area. Of the 37, only 7 properties were large enough to accommodate the Company's current needs. However, not all of these would have been able to accommodate future growth. The rents ranged from £12.50 psf to £18.50 psf. All of the properties had added service charges ranging from £0.28 to £5.80 psf (or did not quote) and most did not quote rates.

At a Board meeting held on 9 October 2014, convened to vote on whether the Company would like to purchase the Property from ECL at cost, the Independent Directors resolved that it was not in the Company's best interests to buy the Property, concluding both that the Company is not a property investment company and that its resources are best concentrated on its operating businesses.

The Company wishes to make clear that the Board took appropriate professional advice in connection with the Lease and the Property. As the Coverage acknowledges, in considering the Lease, the Independent Directors consulted the Company's AIM Nominated Adviser in accordance with the terms of the AIM Rules.

The Board would also like to confirm that ECL has offered the Company the use of Eastleigh Stables, a 5 bedroom house next door to the Property, as overnight accommodation on an as-and-when needed basis at £100 per room per night and at no additional cost for recreational/sporting use.

Eastleigh Stables is owned by Eastleigh Stables Ltd, a company owned by Mr Soukup, and was acquired for £1.25 million plus 5% stamp duty of £62,500. The combined purchase price of both properties was £2,802,000 plus the initial renovation costs of £230,000; therefore a total cost to Mr Soukup of £3,032,000.

The Independent Directors remain of the opinion that this transaction is in the best interests of the Company and its shareholders.

It is the Board's policy to engage in open and transparent communications with shareholders and to this end the Company will continue to keep shareholders updated on all material developments in a timely way. The Board has updated the market and kept shareholders informed of developments with regard to its premises relocation as soon as possible and in accordance with its obligations under the AIM Rules.

Ends

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