

Regulatory Story

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Thalassa Holdings Limited - THAL Final Results for the Year Ended 31 December 2017
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Thalassa Holdings Limited
22 June 2018

Thalassa Holdings Ltd

(Reuters: THAL.L, Bloomberg: THAL:LN)

("Thalassa", "THAL" or the "Company")

Final results for the year ended 31 December 2017

Thalassa announces its final results for the year ending 31 December 2017. The audited financial statements are being posted to shareholders and will be made available on the Company website at www.thalassaholdingsltd.com.

2017 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Group Results 2017 versus 2016

· Group Net Profit for the year	\$1.4m vs. \$2.0m
· Group Earnings Per Share (basic and diluted)* ¹	\$0.06/£0.05 vs. \$0.09/£0.07
· Book value per share* ²	\$1.29/£0.96 vs. \$1.24/£1.01
· Cash	\$8.1m vs. \$7.7m
· Debt	\$ nil vs. \$ nil

*¹ based on weighted average number of shares in issue of 21,882,648 (2016: 22,806,734)

*² based on actual number of shares in issue as at 31 December 2017 of 19,812,640 (2016: 21,958,865)

Continuing Operations

· Operating Loss before depreciation (EBITDA)	\$(1.6)m vs. \$(1.3)m
· Group Loss from continuing operations	\$(2.5)m vs. \$(0.2)m

Discontinued Operations

· Group Profit from discontinued operations	\$3.9m vs. \$2.2m
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OPERATIONAL HIGHLIGHTS

· WGP Group Ltd ("WGP")

Agreement on sale of business effective 1 January 2018

WGP awarded Global supplier award by ConocoPhillips

- **Autonomous Robotics Ltd ("ARL")**

- New node design in-water tests successfully completed.
- Integration of the acoustic transponder implemented successfully.
- Acoustic performance successfully evaluated in the test tank.
- Significant work performed to create additional patents.

SUBSEQUENT EVENTS

- Completion of the sale of the business and assets of WGP to Fairfield Industries Incorporated
- Post Balance Sheet Book value per share*^{3, 4} \$1.66/£1.19
- Post Balance Sheet Cash *⁴ \$25.9m
- Post Balance Sheet Net Cash *⁴ \$20.3m
- Post Balance Sheet Net Cash per share*^{3, 4} \$1.02/£0.73

*³ based on actual number of shares in issue as at 31 December 2017 of 19,812,640

*⁴ as at 31 December 2017, adjusted only to reflect completion of the sale of assets of WGP on 1 January 2018

Chairman's Statement

In the year ended 31 December 2017, Thalassa ("THAL") generated a net profit of \$1.4m (2016: \$2.0m) resulting in a book value per share of \$1.29 (2016:\$1.24). Had FairfieldNodal completed the acquisition of the assets of WGP in 2017, rather than on 1 January 2018, the book value per share would have amounted to \$1.66. As a result, the profit realised on the sale will be reflected in the results for 2018.

In the 2016 Annual Report I wrote that I did not see much in the way of growth opportunities for WGP in an environment of reduced E&P spending and that consequently, Management would focus its efforts in 2017 on streamlining operations. These objectives were duly achieved.

Shortly thereafter, the THAL Board concluded that a sale of WGP would be in the best interest of shareholders given the continued volatility in the price of oil and the concentration of the Company's customers.

Discussions with FairfieldNodal resulted in the Company's RNS of 19 April 2017 announcing that we were in discussions regarding the potential disposal of WGP, which eventually resulted in the sale of the business and assets of WGP on 1 January 2018.

The Charts below illustrate the volatility of oil over the past 30 years and the relative performance of oil vs. the S&P 500 over the past 10 years. http://www.rns-pdf.londonstockexchange.com/rns/2108S_1-2018-6-21.pdf

Managing an oil service business during a sustained period of volatility as a small nimble company is challenging but a virtual impossibility for larger, less flexible companies unable to anticipate or adjust to severe market dislocations.

Whilst I take considerable satisfaction from the fact that THAL outperformed all of the major quoted Western seismic companies over 1, 2 and 5-year periods, as shown in the charts below, these charts do not reflect the price of oil nor THAL's performance compared to the S&P 500 or any other major index, as illustrated in the last two charts. I am, nonetheless, confident that, as we realise gains on our current holdings, THAL's returns will, in time, be reflected in the Company's share price, which should, in due course, make up lost ground on the major indices and more closely reflect THAL's intrinsic value. http://www.rns-pdf.londonstockexchange.com/rns/2108S_1-2018-6-21.pdf

As previously reported on 5 January 2018 THAL has net cash of ca \$20m. Management is and has been reviewing potential acquisitions without limitation to industry. As part of this exercise Management has reviewed all companies trading on AIM (883 as at 30 April 2018) but have so far failed to identify any potential and available acquisition targets selling at a discount to Management's view of their intrinsic value. Interestingly, Management's assessment of value would appear to be shared by none other than Mr W Buffett. Berkshire Hathaway recently reported their Q1 2018 results. Shareholders' Equity amounted to \$351 billion, whilst cash amounted to \$109 billion or ca 34% of Net Assets.

Whilst our Company's current level of cash may appear excessively high (64.5% of Net Assets) due to the recent sale of WGP, the Board feels no pressure to chase deals or to overpay for mispriced assets, particularly when THAL can buy back its own shares at a discount to Book Value.

I have been asked by a number of shareholders whether the Board would consider returning cash to shareholders. I would like to assure shareholders that the Board constantly monitors the Company's cash needs and will continue to return cash either through the ongoing share buy-back programme or through a planned reduction in capital, as and when deemed appropriate. I would, however, point out that any premature return of capital could jeopardise Management's ability to realise targeted returns on the Company's current holdings.

I would like to take this opportunity to thank the staff of WGP for their hard work and dedication and wish them and FairfieldNodal every success for the future. My thanks also to the staff of ARL for the continued progress they are making in the development of our sub-sea node. Thank you all for your efforts which have resulted in another set of impressive financial results for 2017.

I believe the Company is well positioned for the future but remain of the opinion that stock valuations in Europe and the USA reflect a late cycle peak in earnings rather an early cycle low. I also believe that the equity markets generally represent a "congested" trade and that European and US stock markets need to fall (possibly substantially!) before stock prices will reflect the political and economic dangers that currently exist but which investors currently choose to ignore.

In the meantime, whilst global markets continue to rise towards the heavens like the Tower of Babel, we will continue our search for value and watch while those braver (foolhardier?) than us continue to push markets ever higher.

As Mr Buffet famously said, it's only when the tide goes out that you discover who has been swimming naked!

Duncan Soukup
Chairman
21 June 2018

AUTONOMOUS ROBOTICS LTD (ARL) OPERATIONAL REVIEW

Summary

The design, manufacture and test of the first prototype 'Flying Node' autonomous underwater vehicle (AUV) has continued during 2017. The flying node system is currently under development to operate as an autonomous Ocean Bottom Node (OBN) for offshore seismic surveys and can offer oil and gas field developers a considerable saving in the cost of seismic surveys where high quality seismic data is required. The complete 'Flying Nodes' system concept is presented in an animation on the ARL website www.autonomousroboticsltd.com.

During the second half of 2017, delays in the design of the node acoustic communications and autonomous function software impacted the planned development programme with testing and trials having to continue well into 2018 to demonstrate autonomous operation of the first prototype node.

Further progress has been made in defence market applications and current work with a defence contractor will also continue into 2018. As these applications are developed, financial support from the defence industry will be targeted to support the demonstration of the potential of the flying node system in the defence arena.

Operational costs were consistently less than budgeted during the year with no additional staff employed until December 2017 when Mr Rafael Albea joined the company as CEO. Executive capacity was therefore limited and the budgeted programme for 2017 was not achieved with certain activities moving into 2018.

The process of securing external funding to allow the full-scale development of the flying node system started in the last quarter of 2017. Various sources of funding options have been investigated and this work will continue during 2018. Discussions with FairfieldNodal regarding investment in ARL have been delayed into 2018. Funding in the meantime continues to be provided by Thalassa Holdings Ltd.

Marketing

Limited marketing was performed in 2017 as the main resources have been focussed on progressing the first prototype node. Meetings with an oil and gas major continued with considerable interest in cost reductions potentially available from our OBN seismic surveys. An animation of the flying nodes concept of operation has been updated to reflect the latest design of node and this will be made public in 2018.

Some progress on marketing and developing defence applications of the flying node system has been made with plans to increase this area of work during 2018.

Operations

The planned additional engineering staff for 2017 were not recruited, however in December 2017 Mr Rafael Albea was recruited as CEO. Mr Albea brings considerable knowledge of the oil and gas industry and experience of bringing high technology equipment to market and will be a major asset to the company. The company is located on the second floor of the WGP Group facility at Eastleigh Court, Warminster, UK.

There have been some difficulties with sub-contractor delays during the first prototype development and the planned test programme has been delayed. Testing during the first half of 2017 progressed well but unfortunately progress during the second half has been significantly delayed. Therefore, acoustic communications testing and autonomous operation testing of the node has been delayed from May to July 2018.

Technology Development

Assembly of the node sub-assemblies was completed in the first quarter of 2017 which allowed the new node design to be tested for stability, through water speed and control with a light tether attached. The results were very encouraging with performance matching expectations and stability in flight better than expected. Some difficulties with electronic and magnetic effects were identified during these trials and rework continued to improve performance.

Integration of the acoustic transponder in the node was implemented successfully and the acoustic performance was successfully evaluated in the test tank of the acoustic equipment supplier. Planned work to integrate and test the seismic sensor within the node has been put back due to the delays described above.

New methods of completing the seismic survey have also been developed and modelled which have resulted in a greater potential saving in the cost of performing seismic survey.

Significant work has been performed to create additional intellectual property. There is currently a total of 10 applicable patents with 2 granted, 6 pending and 2 in drafting.

Outlook for 2018

ARL will continue to progress various avenues identified as a potential source of funding for the full development programme of the flying node system. Alternative development programmes which split the full development programme and its funding will also be investigated and costed to provide options for funding. This will require work to create alternative concept of operations, development planning and financial modelling.

Additional engineers to progress software and mechanical engineering development will be recruited in the first half of 2018.

The evaluation of the first prototype node performance and its acoustic communications and positioning system development will continue with seismic sensor integration and testing also planned.

The defence applications for the flying node system will be provided with additional resources with the aim of progressing the opportunity and securing defence funding support.

Dave Grant
Chairman
Autonomous Robotics Ltd

21 June 2018

FINANCIAL REVIEW

GROUP RESULTS

Continuing Operations

Total revenue from continuing operations for the period to 31 December 2017 was \$0m following the reclassification to discontinued operations of revenue generated from WGP ahead of the disposal of the assets on 1 January 2018 (2016: \$16k).

Cost of Sales on continuing operations of \$0.034m (2016: \$0.3m) reflect the reclassification to discontinued operations and include research and development related costs at ARL, resulting in a **Gross Loss** of \$0.034m (2016: gross loss \$0.3m).

Administrative expenses on continuing operations were \$1.5m (2016: \$1.0m) and **Depreciation** \$0.1m compared to \$0.1m in 2016.

Operating Loss was therefore \$1.7m (2016: \$1.4m).

Net financial income/(expense) of \$(0.6)m included foreign exchange gains and losses, interest income/expense and gains/losses from financial investments (2016: \$1.0m).

Share of profits less losses of associated entities was a loss of \$0.3m (2016: profit \$0.1m) relates to the 25.48% equity interest in The Local Shopping REIT plc ("LSR").

Loss before tax on continuing operations was therefore \$2.5m (2016: \$0.3m).

Tax on continuing operations for the period was a credit of \$0.028m relating to R&D tax credits (2016: credit \$0.1m).

Loss for the year from continuing operations was therefore \$2.5m (2016: \$0.2m).

Discontinued Operations

Profit for the year from discontinued operations of \$3.9m (2016: \$2.2m) reflects the profit generated from the business and assets disposed of on 1 January 2018 as part of the sale of WGP operations.

This resulted in a Group profit for the year of \$1.4m (2016: \$2.0m).

Net assets at 31 December 2017 amounted to \$25.6m (2016: \$27.3m) resulting in net assets per share of \$1.29 (£0.93) based on 19,812,640 shares in issue versus \$1.24 (£1.01) in 2016 including cash of \$8.1m equivalent to \$0.41 (£0.30) per share (2016: \$7.7m and \$0.35 (£0.29) per share).

Included within net assets are Assets Held for Sale which represent the business and assets of WGP sold on 1 January 2018.

Net cash outflow from continuing operations amounted to \$1.3m as compared to \$1.1m in 2016 with net cash inflow from discontinued operations \$5.3m (2016: \$3.3m).

Net cash outflow from investing activities, amounted to \$0.7m relating to the investment in plant and equipment, the purchase of available for sale investments and investments in associates.

Net cash outflow from financing activities amounted to \$2.9m relating to the buy back of 2,646,225 Thalassa ordinary shares into Treasury at an average price of £0.89.

Net increase in cash and cash equivalents was \$0.4m resulting in Cash and Cash Equivalents at 31 December 2017 of \$8.1m.

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2017

	2017	2016
	\$	\$
Continuing Operations		
Revenue	-	16,289
Cost of sales	(34,643)	(318,693)
Gross loss	(34,643)	(302,404)
Administrative expenses	(1,532,021)	(987,558)
Operating loss before depreciation	(1,566,664)	(1,289,962)
Depreciation	(101,067)	(109,642)
Operating loss	(1,667,731)	(1,399,604)
Net financial (expense)/income	(576,295)	990,970
Share of profits less losses of associated entities	(284,000)	60,741
Loss before taxation	(2,528,026)	(347,893)
Taxation	28,007	104,975
Loss for the year from continuing operations	(2,500,019)	(242,918)
Discontinued Operations		
Profit for the year from discontinued operations	3,884,519	2,211,499
Profit for the year	1,384,500	1,968,581
Earnings per share - US\$ (using weighted average number of shares)		
Basic and Diluted - Continuing Operations	(0.12)	(0.01)
Basic and Diluted - Discontinued Operations	0.18	0.10
Basic and Diluted	0.06	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017	2016
	\$	\$
Profit for the financial year	1,384,500	1,968,581
Other comprehensive income:		
Exchange differences on re-translating foreign operations	(6,106)	(86,587)
Unrealised (losses)/gains on AFS Securities	(132,631)	11,130
Total comprehensive income	1,245,763	1,893,124

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	2017	2016
	\$	\$
Assets		
Non-current assets		
Goodwill	-	368,525
Property, plant and equipment	55,084	10,985,757
Available for sale financial assets	740,691	826,022
Loans	1,596,695	1,549,564
Investments in associated entities	9,065,888	8,636,972
Total non-current assets	11,458,358	22,366,840
Assets Held for Sale	10,155,525	-
Current assets		
Inventories	-	491,151
Trade and other receivables	1,440,962	836,908
Cash and cash equivalents	8,091,288	7,732,215
Total current assets	9,532,250	9,060,274
Liabilities		
Current liabilities		
Trade and other payables	5,516,403	4,162,534
Total current liabilities	5,516,403	4,162,534
Net current assets	4,015,847	4,897,740
Net assets	25,629,730	27,264,580
Shareholders' equity		
Share capital	255,675	250,675
Share premium	45,416,298	45,202,810
Treasury shares	(5,057,161)	(1,958,054)
Other reserves	(248,426)	(109,689)
Retained earnings	(14,736,656)	(16,121,162)
Total shareholders' equity	25,629,730	27,264,580
Total equity	25,629,730	27,264,580

These financial statements were approved and authorised by the board on 21 June 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	2017	2016
	\$	\$
Cash flows from operating activities		
Loss for the year before taxation	(2,528,026)	(347,893)
Decrease/(Increase) in trade and other receivables	507,026	(122,204)
Increase in trade and other payables	631,260	1,496,985
Net foreign exchange gain	(6,106)	(86,587)
Accrued interest income	(47,131)	(45,740)
Taxation	28,007	104,974
Cash generated by operations	(1,414,970)	999,535
Depreciation	101,067	109,642
Net cash flow from operating activities	(1,313,903)	1,109,178
Net cash flow from discontinued operations	5,259,547	3,324,979
Investments in associated entities	(428,916)	(8,636,972)
Purchase of AFS financial assets	(47,300)	(813,987)
Purchase of property, plant and equipment	(40,642)	-
Net cash flow used in investing activities - continuing operations	(516,858)	(9,450,959)
Purchase of property, plant and equipment	(189,093)	(6,536,490)
Net cash flow used in investing activities - discontinued operations	(189,093)	(6,536,490)
Cash flows from financing activities		
Purchase of treasury shares	(3,099,107)	(1,017,629)
Issue of new shares	218,487	-
Net cash flow used in financing activities - continuing operations	(2,880,620)	(1,017,629)
Net increase/(decrease) in cash and cash equivalents	359,073	(12,570,921)
Cash and cash equivalents at the start of the year	7,732,215	20,303,136
Cash and cash equivalents at the end of the year	8,091,288	7,732,215

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share	Share	Treasury	Other	Retained	Total
	Capital	Premium	Shares	Reserves	Earnings	Shareholders
						Equity

	\$	\$	\$	\$	\$	\$
Balance as at 31 December 2015	250,675	45,202,810	(940,425)	(34,232)	(18,089,743)	26,389,085
Purchase of treasury shares	-	-	(1,017,629)	-	-	(1,017,629)
Total comprehensive income for the period	-	-	-	(75,457)	1,968,581	1,893,125
Balance as at 31 December 2016	250,675	45,202,810	(1,958,054)	(109,689)	(16,121,162)	27,264,580
Issue of new shares	5,000	213,487	-	-	-	218,487
Purchase of treasury shares	-	-	(3,099,107)	-	-	(3,099,107)
Total comprehensive income for the period	-	-	-	(138,737)	1,384,500	1,245,763
Balance as at 31 December 2017	255,675	45,416,297	(5,057,161)	(248,426)	(14,736,655)	25,629,730

The Annual General Meeting of Thalassa will be held at Regus, Monte Carlo Sun, 74 Boulevard d'Italie, Monaco 98000 on 3 July 2018 at 10.00am

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Note to Editors:

Thalassa Holdings Ltd, incorporated and registered in the BVI and quoted on AIM, is a holding company with various interests across a number of industries.

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Final Results for the Year Ended 31 December 2017 - RNS