Thalassa Holdings Limited - THAL Interim Results
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Thalassa Holdings Limited
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Thalassa Holdings Ltd

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

("Thalassa" or the "Company")

Results for the 6 months to 30 June 2015

The Company is pleased to announce its financial results for the 6 months ended 30 June 2015. A summary of the results is set out below.

HIGHLIGHTS FOR THE 6 MONTHS ENDED 30 JUNE 2015

GROUP RESULTS

- Revenue up 7.4% to US$9.9m from US$9.3m in 1H14
- Gross Profit up 3.7% to $US4.2m compared to US$4.0m 1H14
- Gross Margin down slightly to 42.2% from 43.7% in 1H14 but in line with full year 2014 gross margin of 42.6%
- Group Operating Profit before Depreciation US$1.5m versus US$1.3m in 1H14
- Depreciation US$1.1m (1H14 US$0.5m)
- Group Operating Profit US$0.4m versus US$0.7m in 1H14
- Group Net Profit US$0.4m versus US$0.7m in 1H14
- Group Earnings Per Share (diluted)* US$0.02 (£0.01) versus US$0.03 (£0.02) in 1H14
- Book value per share US$1.61 (£1.02) versus US$2.09 (£1.23) at the end of 1H14
- Debt US$ nil (1H14: US$ nil)
- Cash US$14.4m (1H14: US$21.2m, 2014: US$17.7m).
- Pipeline of order-enquiry and tenders submitted US$77m

*based on weighted average number of shares in issue of 25,056,837 (1H14: 25,380,757)

POST BALANCE SHEET

- US$4.8m of trade receivables as at 30 June 2015 received
- Cash US$17.4m as at 15 September 2015

OPERATIONAL HIGHLIGHTS

- Completion of 2 surveys (Snorre and Grane) as part of the ongoing contract to provide seismic source services to Statoil's PRM activities in the North Sea
- HR3D project for TGS in the Barents Sea commenced in early May 15 and completed August 15

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CHAIRMAN'S STATEMENT

OVERVIEW

Global energy markets ranging from oil and gas to renewables are in turmoil. Excess oil and gas production has battered prices to the point that most oil production today, including Saudi production, is unprofitable. I realise that most readers of that statement must think I have lost the plot…of course the cost of extraction of Saudi oil, as widely reported in the press, is estimated at US$8 or less, depending on who you talk to. That, in my view is not the point. The point is that Saudi Government spending on their welfare state is inelastic as a result of which they are now running a budget deficit, projected to reach US$38.7bn in 2015 (source Reuters), burning reserves which stood at US$664.5bn in June 2015 down from a peak of US$745.8bn in 2014 and for the first time since 2007, have tapped into the international bond markets raising US$4bn with the prospect of raising a further US$20bn before year end 2015.

In other words, and in reality, Saudi production at US$45 per bbl is in its own way just as unproductive as Shale in the US. The big difference is that Saudi Arabia has substantial reserves of both proven oil and cash, and can borrow. None of this can be said about US shale producers that have, virtually without exception, never generated free cash and which are massively indebted and most importantly do not have the same type of reserves as Saudi or the oil majors. Unlike Saudi, these shale producers no longer have access to cheap capital, debt or equity. The capital markets' window has been slammed shut. The net effect of depressed oil and lack of capital is that the U.S. rotary rig count from Baker Hughes was down 15 at 848 for the week of September 11, 2015. It is now 1,083 rigs (56.1%) lower than last year. Rig count reached a new low and is 9 rigs below the recent low of 857 established the week of June 16, 2015. This is the lowest level of activity since January 17, 2003 (source Baker Hughes).

Everything I have mentioned above is in the public domain but where I possibly disagree with "the market" is in what happens to the oil industry and, therefore, to the price of oil. I do not think that sub $50 oil is sustainable and at some point the rebound, which will come too late to save many companies, will catch investors' wrong footed…again!

Saudi Arabia's decision not to cut supply in order to squeeze-out marginal producers, at a time when demand is trending lower is causing countries and, quite obviously, companies, enormous pain. Countries, including the worst managed will probably survive although as one can see in cases such as Brazil, business leaders and politicians may not. Companies on the other hand are not guaranteed survival; quite the opposite. I believe that many energy companies will fail and that as we have already seen in the UK many more oil industry jobs (65,000 lost since the peak) will be lost.

Our direct seismic competitors are all being battered by loss of contracts, overcapacity and excess debt. Our situation is not dissimilar; our clients continue to look at every angle to reduce costs, however we are fortunate (!) not to share the same heavy debt load nor operate in the commodity end of the market.

CONCLUSION

My assessment of the current status of the oil market, as the reader should by now have gathered, is relatively bleak in the short term. However, whilst it is difficult to argue with Goldman Sachs' conclusion that oil could go to US$20 bbl (frankly there is nothing stopping it going back to the 1998 lows when it sank momentarily below $10 bbl), if, however, it does collapse to that level again I do not believe that it will stay there long. In fact my own view is that in the not too distant future production in the US will crater and that Saudi Arabia will turn the tap down in order to ease their own pain. I don't have a crystal ball, but the impact will probably be a short-term spike in the price of oil, which will bury all the bears, before it retreats to a sustainable level to match demand.

From our point of view, we are the best-capitalized seismic services company in the world. We may be small but we have no debt and in excess of US$17 million in cash. We have avoided spending money on non-core assets or purchasing overpriced assets at the peak of the market, as a result we are cash rich at a time when most in our industry are not. I would like to thank both the Board and Management for their continued support of the Company's ceaseless efforts at frugality.

OUTLOOK

We are three quarters of the way through 2015 and as Mark Burnett WGP, CEO, lays out below, we have overcome last year's operating problems and have substantially increased operating efficiency, which should result in improved financial performance.

These are trying times for the oil industry. However, given our balance sheet strength and market leading service offering, I am confident that our Company will survive and prosper.

Duncan Soukup

WGP OPERATIONAL REVIEW

Following the frustrations of 2014, it is pleasing to report solid operating performance of the Company in the first half of 2015, demonstrating a true reflection of the potential of its personnel and equipment.

Through a rigorous process of review and remediation through the winter period of 2014-15, the company implemented a corrective action plan to ensure increased operational performance in anticipation of the commencement of operations in the Spring 2015. This was focused on both the Dual Portable Modular Source System (D-PMSS™) and the P-Cable high resolution data acquisition technology, which had both experienced technical problems in 2014 resulting in high levels of costly technical downtime and as can be seen from the outcome reported below was highly successful.

1 Permanent Reservoir Monitoring Project

The spring 2015 Permanent Reservoir Monitoring ("PRM") operations over the Statoil operated Snorre and Grane fields were completed ahead of schedule thanks to a combination of excellent operational performance and minimum downtime following our action plan and favourable weather conditions.

A total of over 6,000km of data was shot over the two fields, now in the second full year of operation. Source operations started over the Grane field after mobilisation in Stavanger on the 3rd May with completion on Snorre on the 13th July. The D-PMSS™ was subsequently demobilised from the platform supply vessel 'Siddis Sailor', and re-mobilised again in September for the autumn survey period.

The two surveys acquired during the spring season achieved the highest recorded production figures and lowest downtime hours seen since the company commenced the PRM project for Statoil, coupled with zero HSE incidents during this time.

2 High Resolution 2D/3D (P-Cable™) Proprietary Data Acquisition Project

Following the completion of a survey program with TGS in 2014 acquiring High Resolution 3D ("HR3D") P-Cable™ in the Barents Sea, the company secured, in April this year, a follow-on contract with TGS to acquire further data in the region in 2015.

The programme of work comprised both extended regional coverage with High Resolution 2D ("HR2D") data acquisition, combined with targeted HR3D blocks, as part of the ongoing development of TGS' multi-client library in the Barents Sea. The aim of this season's work were to acquire speculative HR2D data in new blocks, to provide an insight into the potential of P-Cable™ data and also shallow target resolution in previously identified focus areas. The 60-day programme, which commenced on the 3rd May 2015, acquired totals of 4,630km HR2D and 325km^2 HR3D data.

The vessel ('Bergen Surveyor') achieved first-rate results from the HR2D/3D (P-Cable™) surveys this season with the best recorded production figures and lowest technical downtime hours in the 4 years that WGP has been providing HR3D (P-Cable™) surveys, and as a direct result, surpassed the expected quantum of data acquired.

The survey programme maintained WGP's goal towards 'zero harm' with excellent HSE performance including zero HSE incidents.

3 High Resolution 2D/3D Data (P-Cable™) 2014 Multi-Client Late Data Sales

In addition to the proprietary data acquired in 2015 with TGS as above, the company continued to secure late data sales for the 2014 multi-client data set. Two client sales were secured in H1 2015 generating gross revenue to WGP of US$1.6m (US$1.4m net), with an additional two sales in 2H15 generating a further US$1.3m in gross revenue (US$1.1m net). The HR3D data acquired in 2014 was targeted on blocks that formed part of the Norwegian 23rd Licensing Round; as such sales activity continues to be focused on those companies that have nominated blocks in the round which have a deadline of 2nd December 2015 to submit applications (Source; Norwegian Petroleum Directorate).

4 Outlook H2 2015 & Beyond

Whilst it is anticipated that contracted works, primarily consisting of the ongoing Statoil PRM project in the North Sea, will continue to be executed, the general outlook for H2 2015 remains uncertain as a direct result of the current challenging trading conditions pertaining to the depressed oil price and the resultant impact on exploration budgets. The Company will continue to rigorously pursue pipeline opportunities for 2016 and exercise prudence with cost control.

Mark Burnett
CEO - WGP Group

AUTONOMOUS ROBOTICS LTD (ARL) OPERATIONAL REVIEW

SUMMARY

After the review of the original GO Science concept of operations in 2014, which resulted in significant updates to the flying nodes concept of operation, ARL has focussed on minimising operational costs and moving forward with the new flying node development programme. We are currently canvassing for oil major support and progressing the concept design of some of the highest technical risks of the proposed system. There have been discussions with oil majors who generally have been supportive of the new flying nodes concept as a practical method of implementation and who can foresee the market impact of the ocean bottom node survey cost reductions which could be provided by the system. Suppliers have also been identified and engaged to move forward the technology solutions in some of the areas of highest technical risk.

SUPPORT FROM OIL MAJORS AND FUNDING

Oil majors have been approached and in general we have had a positive response to the new concept of operation and feasibility of the proposed technical and commercial solution. A number of oil majors have also agreed to provide support by offering to review the technical, operational and market plans before and during the development and manufacture programme.

As could be predicted in the current market conditions progress in engaging with providers of funding who are interested in supporting the development and manufacture programme has been slow. There are some potential opportunities in the pipeline but it is expected to be the last quarter of 2015 before any indications are received.

OPERATIONAL CHANGES

Operational costs have been reduced to the minimum which will continue to allow the programme to progress albeit at a slow pace. Staff levels have been reduced and a limited budget has been allocated to fund third party concept engineering of some of the higher risk aspects of the technical solution. Budget has also been provided for some initial marketing of the 'Flying Nodes' system. ARL has moved into an office in the WGP Eastleigh Court facility.

PROGRESS ON REFINING THE PROPOSED SYSTEM TECHNOLOGY

Due to the limited budget only a few of the higher risk technical aspects of the proposed system are being progressed, including:

- Node Design - Further work on design of the flying node is progressing and a model of the new node concept for marketing is planned to be available later this year. A first working prototype flying node with tether cable is also being progressed and is planned to be complete at the end of 2015.

- Node Deployment/Recovery System - The concept for node deployment and recovery is being further developed and a mechanical design overview of the main functions of the deployment and recovery concept is in progress in association with a leading subsea equipment manufacturer.

- Node Navigation System - Although the new concept for flying node navigation is based on a subsea navigation system in common use, some additional features are necessary for the system to function with a swarm of flying nodes. An engineering study by a leading acoustic company is in progress to ensure these additional features can be provided.

FINANCIAL MODELS, BUSINESS PLAN AND PATENTS

A number of business models have been created for review and as more work is performed on the system technology solution improved estimates for the cost and timescale of the programme will be added to the financial models. This is an ongoing process during 2015. The business plan has also been updated in a number of areas and further updating will continue during 2015. Work on the application for patents for the new technology solution is also progressing.

PLAN FOR THE REMAINDER OF 2015

ARL will continue with the current plan of minimum cost within budget progressing critical areas which should enable us in due course to secure the funding opportunities and progress the development programme. These areas include:

- Continue to engage with oil majors and potential sources of funding
- Increase marketing and promotion of the system
- Complete existing engineering studies, build prototype node and engage in additional engineering work
- Update financial models and business plan to reflect the latest opportunities
- Complete new patent applications

Dave Grant
CEO
Autonomous Robotics Ltd

FINANCIAL REVIEW

Group results for the 6 months to 30 June 2015 showed revenue of US$9.9m versus US$9.3m in 1H14, an increase of 7.4%. Revenue from Seismic Operations has been generated from the Spring survey's over the Snorre and Grane fields for Statoil, the project with TGS in the Barents Sea and late data sales for the 2014 multi-client data set.

Cost of Sales increased by 10.3% in 1H15 to US$5.7m (1H14: US$5.2m). Cost of Sales as a proportion of Revenue was 57.8% as compared to 56.3% in 1H14 and 57.4% for the whole of 2014.

Gross profit was US$4.2m, an increase of 3.7% versus the same period last year of US$4.0m. Gross margin decreased by 3.4% to 42.2% from 43.7% in 1H14 but in line with full year 2014 gross margin of 42.6%.

Administrative expenses for 1H15 were US$2.7m, 3.8% less than 1H14 of US$2.8m. ARL contributed costs of US$0.2m in 1H15 (1H14: US$0.4m).

Operating Profit before depreciation was US$1.5m versus US$1.3m in 1H14 with operating margin increasing to 15.2%, from 13.6% in 1H14. Adjusted Operating Profit before depreciation (excluding R&D costs at ARL) was US$1.8m (1H14: US$1.6m).

Depreciation of US$1.1m (1H14: US$0.5m) reflects depreciation on the Group's equipment, the increase reflecting depreciation on equipment purchased and put into use in the 2H14 and increased depreciation on certain assets following the company wide asset review at the end of 2014.

Operating Profit decreased to US$0.4m (1H14 US$0.7m) as a result of the impact of depreciation described above. Adjusted operating Profit was US$0.6m (1H14: US$1.2m).

Net financial income of US$0.1m included foreign exchange gains and interest income in the period partially offset by interest and share option expense (1H14: US$0.2m).

Profit before tax, was US$0.5m versus US$0.9m in 1H14. Adjusted profit before tax was US$0.7m (1H14: US$1.2m).

Tax in the period of US$0.06m incorporates an estimate of the tax liability incurred from the Company's operations across its different regions (1H14 US$0.16m).

Net profit was US$0.4m compared to US$0.7m in 1H14. Adjusted net profit was US$0.6m (1H14: US$1.1m).

Net assets at 30 June 2015 amounted to US$39.7m (1H14: US$52.5m) resulting in net assets per share of US$1.61 (£1.02) versus US$2.09 (£1.23) in 1H14, the decrease a result of the non-recurring adjustments and the impact on net assets as at 31 December 2014.

The Company had **debt** of US$0.0m at the period end (1H14: US$0.0m).

Trade Receivables was US$4.8m as at 30 June 2015, which has since been received in full.

Cash as at 30 June 2015 was US$14.4m (1H14: US$21.2m, 2014: US$17.7m).

Net cash outflow from operating activities amounted to US$(2.8)m as compared to cash outflow of US$(0.2)m in 1H14. The cash outflow of US$2.8m does not reflect the US$4.8m of outstanding trade receivables at 30 June 2015, all of which was subsequently received.

CONSOLIDATED STATEMENT OF INCOME
For the six months ended 30 June 2015

	Note	Six months ended 30 Jun 2015 Unaudited US$	Six months ended 30 Jun 2014 Unaudited US$	Year ended 31 Dec 2014 Audited US$
Continuing operations				
Revenue		9,945,965	9,259,239	15,517,200
Cost of sales		(5,747,423)	(5,209,706)	(8,909,444)
Gross profit		**4,198,542**	**4,049,533**	**6,607,756**
Administrative expenses		(2,688,225)	(2,794,382)	(6,417,859)
Operating profit before depreciation		**1,510,317**	**1,255,151**	**189,897**
Depreciation		(1,119,157)	(524,338)	(1,307,414)
Operating profit/(loss) before non-recurring costs		**391,160**	**730,813**	**(1,117,517)**
Non-recurring costs		-	-	(11,706,206)
Operating profit/(loss)		**391,160**	**730,813**	**(12,823,723)**
Net Financial Income		114,696	167,100	592,362
Profit/(loss) before taxation		**505,856**	**897,913**	**(12,231,361)**
Taxation		(58,901)	(160,233)	20,994
Profit/(loss) for the financial period		**446,955**	**737,680**	**(12,210,367)**
Attributable to:				
Equity shareholders of the parent		446,955	737,680	(12,166,241)
Non-controlling interest		-	-	(44,126)
		446,955	**737,680**	**(12,210,367)**
Earnings per share - US$ (using weighted average number of shares				
Basic and Diluted	3	0.02	0.03	(0.49)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Six months ended 30 Jun 2015 Unaudited US$	Six months ended 30 Jun 2014 Unaudited US$	Year ended 31 Dec 2014 Audited US$
Profit/(loss) for the financial period	**446,955**	**737,680**	**(12,210,367)**
Other comprehensive income:			
Exchange differences on re-translation of foreign operations	21,612	1,970	(255,229)
Unrealised gains on available for sale investments	-	19,828	-
Impairment of AFS securities	-	-	(38,675)
Total comprehensive income/(expense)	**468,567**	**759,478**	**(12,504,271)**
Attributable to:			
Equity shareholders of the parent	468,567	759,478	(12,460,145)

Non-controlling interest	-	-	(44,126)
Total comprehensive income/(expense)	**468,567**	**759,478**	**(12,504,271)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2015

	At 30 Jun 2015 Unaudited US$	At 30 Jun 2014 Unaudited US$	At 31 Dec 2014 Audited US$
ASSETS			
Non-current assets			
Goodwill	368,525	368,525	368,525
Intellectual Property	-	2,907,572	-
Property, plant and equipment	12,697,943	13,636,112	13,631,466
Multi-Client Library	1,573,946	472,618	1,889,693
Available for sale investments	-	58,503	-
Loans Receivable	7,227,568	7,256,904	7,124,648
Total non-current assets	**21,867,982**	**24,700,234**	**23,014,332**
Current assets			
Inventory	331,765	877,928	343,231
Derivative Financial Asset	25,750	-	66,563
Trade and other receivables	7,599,847	11,298,462	2,754,923
Cash and cash equivalents	14,445,912	21,213,030	17,728,074
Total current assets	**22,403,274**	**33,389,420**	**20,892,791**
LIABILITIES			
Current liabilities			
Trade and other payables	4,590,652	5,561,221	4,530,219
Total current liabilities	**4,590,652**	**5,561,221**	**4,530,219**
Net current assets	**17,812,622**	**27,828,199**	**16,362,572**
Net assets	**39,680,604**	**52,528,433**	**39,376,904**
EQUITY			
Shareholders Equity			
Share capital	250,675	250,675	250,675
Share premium	45,118,623	44,866,060	45,034,435
Treasury shares	(249,055)	-	-
Foreign exchange reserve	(56,081)	199,334	(77,693)
Retained earnings	(5,383,558)	7,066,020	(5,830,513)
Total Shareholders Equity	**39,680,604**	**52,382,089**	**39,376,904**
Non-controlling interest	-	146,344	-
Total Equity	**39,680,604**	**52,528,433**	**39,376,904**

These financial statements were approved by the board on 21 September 2015.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2015

	Six months ended 30 Jun 2015 Unaudited US$	Six months ended 30 Jun 2014 Unaudited US$	Year ended 31 Dec 2014 Audited US$
Cash flows from operating activities			
Profit/(loss) for the period before taxation	**505,856**	**897,913**	**(12,231,361)**
Impairment of Non-current assets	-	-	6,071,030
Provision for doubtful debts	-	-	4,060,021
Share option expense	84,188	56,155	168,377
Loss of disposal of property, plant and equipment	-	-	66,243
Unrealised gain/(loss) on FX option	40,813	(19,828)	(66,563)
Decrease/(increase) in inventory	11,466	(187,920)	346,777
(Increase)/decrease in trade and other receivables	(4,844,924)	(4,219,708)	263,809
Increase in trade and other payables	60,433	3,476,626	2,466,617
Accrued interest income	(102,920)	(139,879)	-

Increase in multi client library	-	(472,619)	(2,369,523)
Net Foreign Exchange loss/(gain)	21,612	1,970	(255,229)
Taxation	(58,901)	(160,233)	-
Cash used in operations	**(4,282,377)**	**(767,523)**	**(1,479,802)**
Depreciation and Amortisation	1,119,157	524,338	1,307,414
Amortisation of multi-client library	315,747	-	479,830
Net cash flow (used in)/from operating activities	**(2,847,473)**	**(243,185)**	**307,442**
Cash flows from investing activities			
Acquisition of intellectual property	-	(37,529)	(145,185)
Purchase of equipment	(185,634)	(5,753,242)	(9,907,805)
Purchase of computer software	-	(254,089)	-
Loan to THAL Discretionary Trust	-	(5,231,442)	(5,239,065)
Unrealised gain on available for sale investments	-	19,828	-
Net cash flow from investing activities	**(185,634)**	**(11,256,474)**	**(15,292,055)**
Cash flows from financing activities			
Proceeds from exercise of share options	-	8,647	8,745
Purchase of Treasury Shares	(249,055)	468,787	468,787
Issue of ordinary share capital	-	100	-
Net cash flow from financing activities	**(249,055)**	**477,534**	**477,532**
Net decrease in cash and cash equivalents	**(3,282,162)**	**(11,022,125)**	**(14,507,081)**
Cash and cash equivalents at the start of the period	17,728,074	32,235,155	32,235,155
Cash and cash equivalents at the end of the period	**14,445,912**	**21,213,030**	**17,728,074**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share Capital US$	Share Premium US$	Treasury shares US$	Foreign Exchange Reserves US$	Retained earnings/ (losses) US$	Total Shareholders Equity US$	Minority Interest US$	Total Equity US$
Balance as at 30 June 2014	**250,675**	**44,866,060**	**-**	**199,334**	**7,066,020**	**52,382,089**	**146,344**	**52,528,433**
Share Option Expense	-	168,375	-	-	-	168,375	-	168,375
Total comprehensive income for the period	-	-	-	(277,027)	(12,998,751)	(13,275,778)	(44,126)	(13,319,904)
Acquisition of non-controlling Interest	-	-	-	-	102,218	102,218	(102,218)	-
Balance as at 31 December 2014	**250,675**	**45,034,435**	**-**	**(77,693)**	**(5,830,513)**	**39,376,904**	**-**	**39,376,904**
Share Option Expense	-	84,188	-	-	-	84,188	-	84,188
Purchase of Treasury Shares	-	-	(249,055)	-	-	(249,055)	-	(249,055)
Total comprehensive income for the period	-	-	-	21,612	446,955	468,567	-	468,567
Balance as at 30 June 2015	**250,675**	**45,118,623**	**(249,055)**	**(56,081)**	**(5,383,558)**	**39,680,604**	**-**	**39,680,604**

The interim report, including notes, is available on the Company's website: www.thalassaholdingsltd.com .

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