Regulatory Story

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Thalassa Holdings Limited - THAL Interim Results
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Thalassa Holdings Limited
17 September 2018

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Thalassa Holdings Ltd
(Reuters: THAL.L. Bloomberg: THAL:LN)
("Thalassa" or the "Company")
Results for the 6 months ended 30 June 2018

The Company is pleased to announce its financial results for the 6 months ended 30 June 2018. A summary of the results is set out below.

Highlights for the 6 months ended 30 June 2018:

GROUP RESULTS 1H 2018 versus 1H 2017

Group Net Profit for the period	$4.5m vs. $0.8m
Group Earnings Per Share (basic and diluted)*1	$0.23/£0.18 vs. $0.04/£0.03
Book value per share*2	$1.53/£1.16 vs. $1.29/£0.99
Cash	$20.6m vs. $3.1m
Debt	$ nil vs. $ nil

*1 based on weighted average number of shares in issue of 19,275,546 (1H17: 21,657,704)
*2 based on actual number of shares in issue as at 30 June 2018 of 19,044,775
Current shares outstanding (as of 12 September 2018) 18,704,775

Continuing Operations	
Operating Profit/(Loss) before depreciation (EBITDA)	$5m vs. ($1.1m)
Group Profit/(Loss) from continuing operations	$4.5m vs. ($0.1m)
Discontinued Operations	
Group Profit from discontinued operations	$ nil vs. $0.9m

1H18 OPERATIONAL HIGHLIGHTS

WGP

- Completion of the disposal of the business and assets of WGP

ARL

- Completion of first Autonomous deployment tests
- Continued progress with the development of autonomous operational software

Miscellaneous

- The Board of Directors has approved the issuance of Preference Shares to all shareholders of record as at 30 September 2018

Subsequent Events

- Deferred compensation of $6m due from Fairfield Geotechnologies following execution of contracts

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Chairman's Statement

I am happy to present the unaudited interim accounts for the six months to 30 June 2018.

Operations

On 1 January 2018 the sale of the business and assets of WGP Group Ltd ("WGP") was successfully completed, thus ending a ten-year association and seven-year ownership of WGP.

I wish everyone at WGP and their new owner every success in the future.

The reasons for selling WGP may not at first glance seem obvious as the business was operating profitably with good margins. Unfortunately, with such a concentrated client base the Board deemed the risks and capital required to expand the business disproportionate to the potential gains. Fairfield Geotechnologies, which bought the business and assets of WGP, is a leader in the Node industry, with substantially higher Sales and a much larger Capital base but lacking WGP's "source" technology. The acquisition of WGP should enhance Fairfield's market position substantially, whilst also opening new areas of work to WGP.

As previously announced, WGP has recently won a major contract with one of its existing clients; an indication that business is going well under the new owners and that the ground work and time invested under Thalassa's ownership has resulted in a win, win for both Thalassa and Fairfield Geo.

At the time of writing, contracts have now been signed and Thalassa should shortly receive the initial deferred payment of $1.2 million (20%), with a further $4.8 million (80%) due in 12 months' time.

ARL

Initial "Autonomous" tests have now been successfully completed and development will continue throughout the remainder of the year.

As announced, ARL has also appointed Rear Admiral (Ret.) John Westbrook CBE and Commodore (Ret.) Phillip Titterton CBE as Defence Advisors to the Board. I would like to welcome both of them and thank them for their support and guidance.

The total cost to develop the Node and bring it to market was never intended to be fully funded by Thalassa alone and the plan has always been to seek third party funding from EIS, VCT and other early stage investors. In this connection, we were hampered under the old EIS/VCT rules as Go Science, the predecessor company that we acquired, had unfortunately booked R&D funding as "revenue", which was then disallowed by HMRC for qualification for pre-approval as an EIS/VCT investible company. Fortunately, the rules have now changed and ARL has recently applied for Advance Assurance from HMRC as a qualifying company. The EIS/VCT rules have also recently been expanded to allow annual investment of £10 million in knowledge-intensive companies versus £5 million under the previous rules.

There are no guarantees that ARL will succeed in raising the necessary funds required to complete development and production of a commercially operating suite of 'Flying Nodes'…but it will not be for lack of persistence or trying!

LSR

Thalassa currently owns 25.48% of The Local Shopping REIT plc ("LSR"). The liquidation of the company's assets continues apace; unfortunately, the losses incurred on disposal also continue apace. We are clearly unhappy with the level of cost that LSR and, therefore, its shareholders are incurring whilst its advisers, managers and consultants are rewarded for generating ever increasing losses!
THAL's 25% holding does, however, represent 'negative equity control', which, bluntly put means that LSR will be unable to distribute any cash to its shareholders beyond the sum of its retained earnings (currently £8.1m but dwindling

fast) without an extraordinary resolution requiring 75% of the votes cast at the meeting. Clearly no such majority can be achieved without Thalassa's votes.

Thalassa accounts for its holding in LSR as an associate company. As a result, Thalassa's current holding cost basis is ±29.6p per share, which does not reflect the ±2.5p per share of Forex hedging gains that the Company has also realised and booked.
I believe that Thalassa shareholders will do well out of the Company's investment in LSR, in spite of LSR's woeful performance!

Share Buy back

Since the beginning of 2018 the Company has bought back 1,107,865 shares at a cost of £952,843 (ca. $1.2m) or 86p per share (as at 12 September 2018).

The Board considers these purchases to be in the best interest of remaining shareholders as these purchases are being made at a substantial (25%+) discount to Book Value (as at 30 June 2018), which does not include the previously announced earn-out of $6 million to be received in connection with the sale of WGP's business.

Outlook

To understand the direction the Board would like to point the Company in the future, I would, at the risk of sounding didactic, suggest that we cast our minds back to the period 1962 to 1973/4 and the 'Nifty Fifty"; fifty high growth stocks chosen and recommended by Morgan Guaranty Trust Co, to represent the best industrial companies in the USA and which precipitated a quantum move from 'Value' to 'Growth at any price'. Among the Nifty Fifty were companies such as McDonalds, IBM, Coca-Cola and Walmart, all of which proved themselves to be 'stayers'. The list also included other companies such as Eastman Kodak, Polaroid, Simplicity Pattern and SS Kresge, which have either had to reinvent themselves or have disappeared altogether.

At the outset of the '60's, John F. Kennedy (JFK) was elected President of the USA. The American Space program took off and US Industry was set to dominate the World…until, that is, things started to unravel. In 1963 JFK was assassinated, Lyndon B Johnson became President and the USA was sucked further into the Vietnam war. The 1973/1974 Stock Market crash was, however, not caused by the assassination of JFK nor the Vietnam War but the collapse of the Bretton Woods agreement, US$ devaluation, the 1973 oil crisis and the Nixon shock or Watergate Scandal.

Between January 1973 and December 1974, the US stock market, as measured by the Dow Jones Industrial Average, lost 45% of its value. During the same period, the UK's FT 30 Index lost a staggering 73% of its value and the UK went into recession.

All the main stock indexes of the future G7 bottomed out between September and December 1974, having lost at least 34% of their value in nominal terms, and 43% in real terms. In all cases, the recovery was a slow process. Although West Germany's market was the fastest to recover, returning to the original nominal level within eighteen months, it did not return to the same real level until June 1985. The United Kingdom didn't return to the same market level until May 1987 (only a few months before the Black Monday crash), whilst the United States didn't see the same level in real terms until August 1993-over twenty years after the 1973-74 crash began.

Do I think we are headed for the same brick wall? No, it will be a different wall but the result will be the same, if not worse this time. Why? Because this time institutional and retail investors are in love with growth companies with no earnings or an infinite p/e ratio. At least the Nifty Fifty had earnings and at the peak their p/e was a meagre 42x earnings!

So, the Board of Thalassa with an average age in excess of 65 is somewhat concerned about the market in general and, therefore, cautious in its view as to how the Company's cash should be redeployed.

As a result of the Board's view of the market, the Board has adopted a five-pronged approach:

1. Opportunistic: where an acquisition or investment exists because of price dislocation (the price of a stock collapses but fundamentals are unaffected) or where the Board identifies a special "off market" opportunity.

2. Finance: The Board is currently investigating opportunities in Banking and FinTech.

3. Property: The Company currently owns 25.48% of LSR. The Company's LSR investment is more comprehensibly described above.

4. Education: there are few businesses that offer the same longevity and predictability of earnings as Education. In case we need reminding, Britain's Schools and Universities are considerably older and more successful than Britain's oldest companies, and

5. R&D: Development situations such as ARL, where we see an opportunity to participate in disruptive, early stage technology.

The above outlined strategy is clearly subject to change depending on the Board's findings and prevailing market conditions.

Duncan Soukup
Chairman
Thalassa Holdings Ltd
17 September 2018

Financial Review

Continuing Operations

Total revenue from continuing operations for the period to 30 June 2018 was $0.003m following the reclassification to discontinued operations of revenue generated from WGP due to the disposal of the assets on 1 January 2018 (1H17: $0k).

Cost of Sales on continuing operations of credit $0.006m (1H17: $0.03m) reflect the reclassification to discontinued operations and include research and development related costs at ARL, resulting in a Gross Profit of $0.009m (1H17: gross loss $0.03m).

Net gain on disposal of WGP business and assets was $7.4m.

Administrative expenses on continuing operations were $2.4m, which includes $1.3m relating to the disposal of WGP (1H17: $1.0m) and Depreciation $0.03m compared to $0.05m in 1H17.

Operating Profit was therefore $5m (1H17: operating loss $1.1m).

Net financial income/(expense) of $0.3m included foreign exchange gains and losses, interest income/expense and gains/losses from financial investments (1H16: $1.0m).

Share of profits less losses of associated entities was a loss of $1m (1H17: $0.007m) relating to the 25.48% equity interest in The Local Shopping REIT plc ("LSR").

Profit before tax was therefore $4.3m versus loss $0.1m in 1H17 with tax in the period of $0.1m incorporating an estimate of the tax asset incurred from the Company's operations across its different regions (1H17 liability $0.2m).

Profit from continuing operations was therefore $4.5m (1H17: loss $0.1m).

Discontinued Operations

Profit from discontinued operations of $0m (1H17: $0.1m) follows the reclassification generated from WGP due to the disposal of the assets on 1 January 2018.

This resulted in a Group profit of $4.5m (1H17: $0.8m).

Net assets at 30 June 2018 amounted to $29.1m (1H17: $27.8m, 2017: $25.6m) resulting in net assets per share of $1.53/£1.13 based on 19,044,775 shares in issue versus $1.29/£0.99 in 1H17 (based on 21,633,865 shares in issue) and $1.29/£1.01 in 2017 (based on 19,812,640 shares in issue). Included is $20.6m of cash, equivalent to $1.08/£0.82 per share (1H17: $0.15/£0.11, 2017: $0.41/£0.30).

The Company had no **net debt** at the period end (1H17: $nil).

Net cash outflow from continuing operations amounted to $5.2m as compared to inflow $1.7m in 1H17 with net cash outflow from discontinued operations $0m (1H17: $5.1m).

Net cash inflow from investing activities amounted to $18.5m relating to the sale of WGP business and it's assets, investment in plant and equipment, purchase of available for sale investments and investments in associates.

Net cash outflow from financing activities amounted to $0.9m relating to the buy back of 767,865 Thalassa ordinary shares into Treasury.

Net increase in cash and cash equivalents was $12.5m resulting in Cash and Cash Equivalents of $20.6m as at 30 June 2018. Cash at the time of reporting is $20.6m (1H17: $3.1m, Y/E 2017: $8.1m).

Reference currency: The Company's historic reference currency is the US$, due to the Company's involvement in the oil industry which operates in US$. Given that the majority of the Company's shareholders are £ centric, it makes sense to present the Company's accounts in £ going forward. The Board are currently reviewing this situation with a view to changing the Company's reference currency in 2018 or 2019.

Consolidated Statement of Income

For the six months ended 30 June 2018

	Six months ended 30 Jun 18	Six months ended 30 Jun 17	Year ended 31 Dec 17

	Note	Unaudited	Unaudited	Audited
		$	$	$
Continuing Operations				
Revenue		3,286	-	-
Cost of sales		5,593	(27,103)	(34,643)
Gross profit		**8,879**	**(27,103)**	**(34,643)**
Gain on disposal of WGP assets		7,419,475	-	-
Administrative expenses		(2,387,015)	(1,042,512)	(1,532,021)
Operating profit before depreciation		**5,041,339**	**(1,069,615)**	**(1,566,664)**
Depreciation		(27,713)	(50,148)	(101,067)
Operating profit		**5,013,626**	**(1,119,763)**	**(1,667,731)**
Net financial income		465,970	1,038,510	(576,295)
Interest Expense		(190,453)	(8,716)	-
Share of profits less losses of associated entities		(961,774)	(7,167)	(284,000)
Profit before taxation		**4,327,369**	**(97,136)**	**(2,528,026)**
Taxation		133,064	(699)	28,007
Profit for the financial period		**4,460,433**	**(97,835)**	**(2,500,019)**
Discontinued Operations				
Profit for the year from discontinued operations		**-**	**903,146**	**3,884,519**
Profit for the year		**4,460,433**	**805,311**	**1,384,500**
Earnings per share - US$ (using weighted average number of shares)				
Basic and Diluted	3	0.23	0.04	0.06

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 Jun 18	Six months ended 30 Jun 17	Year ended 31 Dec 17
	Unaudited	Unaudited	Audited
	$	$	$

Profit/(loss) for the financial period	**4,460,433**	**805,311**	**1,384,500**
Other comprehensive income:			
Exchange differences on re-translating foreign operations	(59,833)	37,110	(6,106)
Unrealised losses on available for sale investments	(39,252)	-	(132,631)
Total comprehensive income	**4,361,348**	**842,421**	**1,245,763**
Attributable to:			
Equity shareholders of the parent	4,361,348	842,421	1,245,763
Total Comprehensive income	**4,361,348**	**842,421**	**1,245,763**

Consolidated Statement of Financial Position

At 30 June 2018

	Six months ended 30 Jun 18 Unaudited $	**Six months ended 30 Jun 17 Unaudited $**	**Year ended 31 Dec 17 Audited $**
Assets			
Non-current assets			
Goodwill	-	368,525	-
Property, plant and equipment	27,976	9,888,076	55,084
Available for sale financial assets	1,120,407	1,379,826	740,691
Intangible assets	-	197,200	-
Loans	1,620,796	1,572,953	1,596,695
Investments in associated entities	8,104,114	8,833,565	9,065,888
Total non-current assets	**10,873,293**	**22,240,145**	**11,458,358**
Assets Held for Sale	-	-	10,155,525
Current assets			
Inventories	-	517,104	-
Trade and other receivables	394,473	6,693,666	1,440,962
Cash and cash equivalents	20,554,400	3,145,345	8,091,288
Total current assets	**20,948,873**	**10,356,115**	**9,532,250**

Liabilities			
Current liabilities			
Trade and other payables	2,695,099	4,769,314	5,516,403
Total current liabilities	**2,695,099**	**4,769,314**	**5,516,403**
Net current assets	**18,253,774**	**5,586,801**	**4,015,847**
Net assets	**29,127,067**	**27,826,946**	**25,629,730**
Shareholders equity			
Share capital	255,675	250,675	255,675
Share premium	45,416,298	45,202,810	45,416,298
Treasury shares	(5,921,172)	(2,238,109)	(5,057,161)
Other reserves	(347,510)	(72,579)	(248,426)
Retained earnings	(10,276,224)	(15,315,851)	(14,736,656)
Total shareholders equity	29,127,067	27,826,946	25,629,730
Total equity	**29,127,067**	**27,826,946**	**25,629,730**

These financial statements were approved by the board on 17 September 2018.

Signed on behalf of the board by: **Duncan Soukup**

Consolidated Statement of Cash Flows
For the six months ended 30 June 2018

	Six months ended 30 Jun 18 Unaudited $	**Six months ended 30 Jun 17 Unaudited $**	**Year ended 31 Dec 17 Audited $**
Cash flows from operating activities			
Profit/Loss for the period before taxation	**4,327,369**	**(97,136)**	**(2,528,026)**
Decrease/(increase) in inventories	-	-	-
Decrease/(increase) in trade and other receivables	745,686	51,197	507,026
Increase/(decrease) in trade and other payables	(2,876,150)	1,654,841	631,260
Gain on disposal of WGP assets	(7,419,475)	-	-
Net foreign exchange gain	(99,085)	37,110	(6,106)
Accrued interest income	-	(23,389)	(47,131)
Taxation	133,064	-	28,007
Cash generated by/(used in) operations	**(5,188,591)**	**1,622,623**	**(1,414,970)**
Depreciation	27,713	50,148	101,067
Amortisation of multi-client library	-	-	-

Net cash flow (used in)/from operating activities	**(5,160,878)**	**1,672,771**	**(1,313,903)**
Net cash flow from discontinued operations	**-**	**(5,102,310)**	**5,259,547**
Proceeds from the disposal of WGP assets	17,906,548	-	-
Investments in associated entities	961,774	(196,593)	(428,916)
Purchase of AFS financial assets	(379,717)	(553,804)	(47,300)
Purchase of property, plant and equipment	(605)	(3,432)	(40,642)
Net cash flow used in/from investing activities - continuing operations	**18,488,000**	**(753,829)**	**(516,858)**
Purchase of property, plant and equipment	-	(123,447)	(189,093)
Net cash flow used in/from investing activities - discontinued operations	**-**	**(123,447)**	**(189,093)**
Cash flows from financing activities			
(Purchase)/disposal of treasury shares	(864,011)	(280,055)	(3,099,107)
Issue of new shares	-	-	218,487
Net cash flow from financing activities	**(864,011)**	**(280,055)**	**(2,880,620)**
Net increase/(decrease) in cash and cash equivalents	**12,463,111**	**(4,586,870)**	**359,073**
Cash and cash equivalents at the start of the period	8,091,288	7,732,215	7,732,215
Cash and cash equivalents at the end of the period	**20,554,400**	**3,145,345**	**8,091,288**

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share Capital $	**Share Premium $**	**Treasury Shares $**	**Other Reserves $**	**Retained Earnings $**	**Total Equity $**
Balance as at 30 June 2017	**250,675**	**45,202,810**	**(2,238,109)**	**(72,579)**	**(15,315,851)**	**27,826,946**
Issue of new shares	5,000	213,487	-	-	-	**218,487**
Purchase of treasury shares	-	-	(2,819,052)	-	-	**(2,819,052)**
Total comprehensive income for the period	-	-	-	(175,847)	579,189	**403,342**
Balance as at 31 December 2017	255,675	45,416,298	(5,057,161)	(248,426)	(14,736,656)	**25,629,730**
Purchase of treasury shares	-	-	(864,011)	-	-	(864,011)
Total comprehensive income for the period	-	-	-	(59,833)	4,460,433	4,400,600
Unrealised losses on available for sale investments	-	-	-	(39,252)	-	(39,252)
Balance as at 30 June 2018	**255,675**	**45,416,298**	**(5,921,172)**	**(347,510)**	**(10,276,224)**	**29,127,067**

Notes to the Consolidated Interim Financial Information

1. General information

Thalassa Holdings Ltd (the "Company") is a British Virgin Island ("BVI") International business company ("IBC"), incorporated and registered in the BVI on 26 September 2007. The Company was established as a holding company, and currently has three directly owned subsidiaries, DOA Alpha Ltd ("WGP" - formerly WGP Group Ltd), Autonomous Holdings Ltd ("AHL" - formerly GO Science Group Ltd) and WGP Geosolutions Limited (together with Thalassa Holdings Ltd, the "Group").

DOA Alpha Ltd is a wholly owned subsidiary of Thalassa Holdings Ltd. The assets of DOA Alpha Ltd were reflected in the
accounts as Held for Sale and were disposed of 1 January 2018.

Autonomous Holdings Ltd is a wholly owned subsidiary of Thalassa and is an Autonomous Underwater Vehicle ("AUV") research and development company with one subsidiary:

- Autonomous Robotics Limited ("ARL" - formerly GO Science 2013 Ltd)

WGP Geosolutions Limited is a wholly owned subsidiary of Thalassa which has an additional subsidiary, WGP Group AT GmbH, both currently non-operational.

The Group's interest in each of the subsidiaries is 100%.

2. Significant Accounting policies

The Group prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the EU.

The accounting policies applied by the Company in this unaudited consolidated interim financial information are the same as those applied by the Company in its consolidated financial statements as at and for the period ended 31 December 2017.

2.1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard No. 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the period ended 31 December 2017.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.2. Going concern

The financial information has been prepared on the going concern basis as management consider that the Group has sufficient cash to fund its current commitments for the foreseeable future.

3. Earnings per share

	Six months ended 30 Jun 2018 Unaudited	**Six months ended 30 Jun 2017 Unaudited**	**Year ended 31 Dec 2017 Audited**
The calculation of earnings per share is based on the following loss and number of shares:			
Profit/(loss) for the period ($)	**4,460,433**	**805,311**	**1,384,500**
Weighted average number of shares of the Company	**19,275,546**	**21,657,704**	**21,882,648**
Earnings per share:			
Basic and Diluted (US$)	0.23	0.04	0.06

4. Loans and receivables

	Six months ended 30 Jun 18 Unaudited $	Six months ended 30 Jun 17 Unaudited $	Year ended 31 Dec 17 Audited $
Loans	1,620,796	1,572,953	1,596,695

Loans and receivables includes a loan of $1,620,796 plus accrued interest of $116,972 to the THAL Discretionary Trust. Interest is payable at 3% per annum (reviewed periodically).

The THAL Discretionary Trust is a trust, independent of Thalassa, established for the benefit of individuals or parties to whom the Trustees wish to make awards at their discretion.

5. Related party balances and transactions

Under the consultancy and administrative services agreement entered into on 30 August 2014 with a company in which the Chairman has a beneficial interest, the Group was invoiced $280,000 for consultancy and administrative services provided to the Group. At 30 June 2018 the amount owed to this company was $143,139 (1H17: $nil).

6. Share capital and share premium

	Six months ended 30 Jun 18 Unaudited $	Year ended 31 Dec 17 Audited $
Authorised share capital:		
100,000,000 ordinary shares of $0.01 each	**1,000,000**	**1,000,000**
Allotted, issued and fully paid	**255,675**	**250,675**

	Number of shares	Number of Treasury shares	Treasury Shares $
Number of shares outstanding at the period end:			
Balance as 31 December 2017	**19,812,640**	**5,754,882**	**5,057,161**
Shares purchased	(767,865)	767,865	864,011
Balance as 30 June 2018	**19,044,775**	**6,522,747**	**5,921,172**

7. Subsequent events

As announced in the Company's RNS dated 11 July 2018, WGP has been awarded a substantial contract as a result of which Thalassa is due $6m. Payment is due in two tranches, $1.2 million (20%) upon signing and $4.8 million 12 months thereafter. Final contracts have been signed and an initial payment of $1.2 million is now due.

8. Copies of the Interim Report

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

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Interim Results - RNS