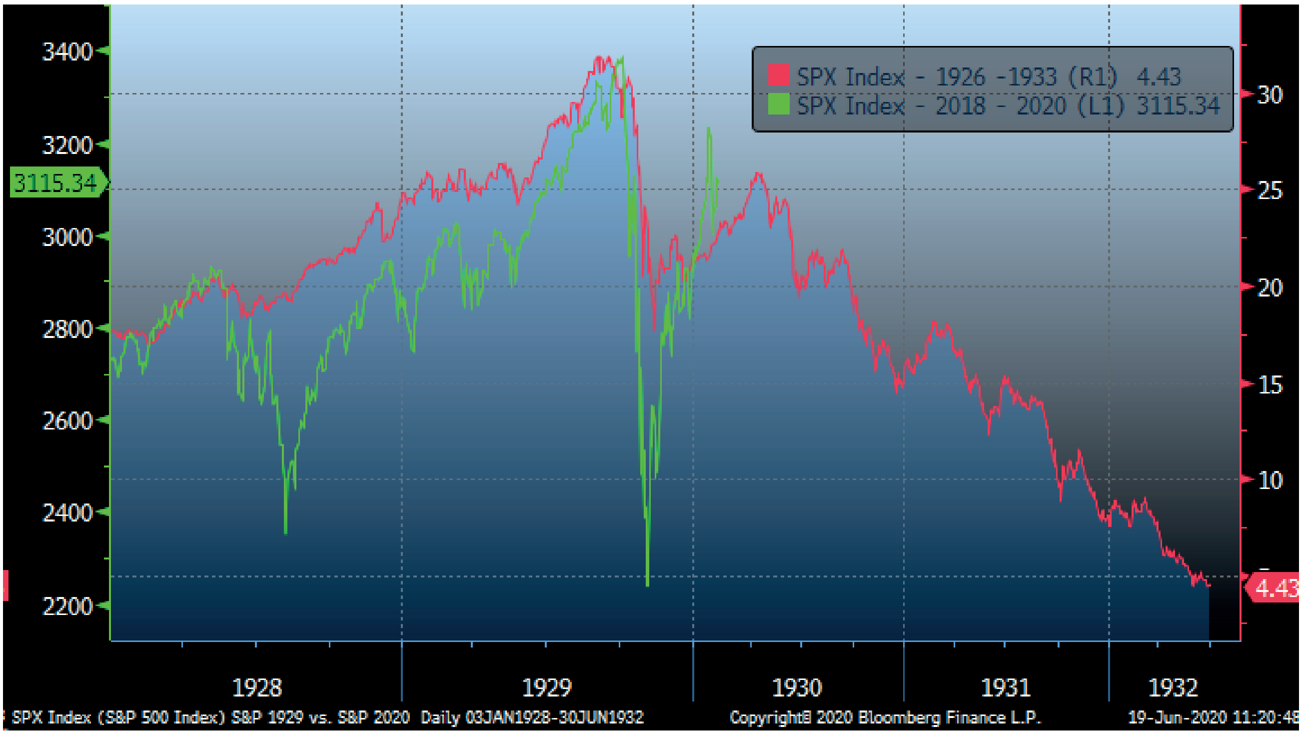
THALASSA

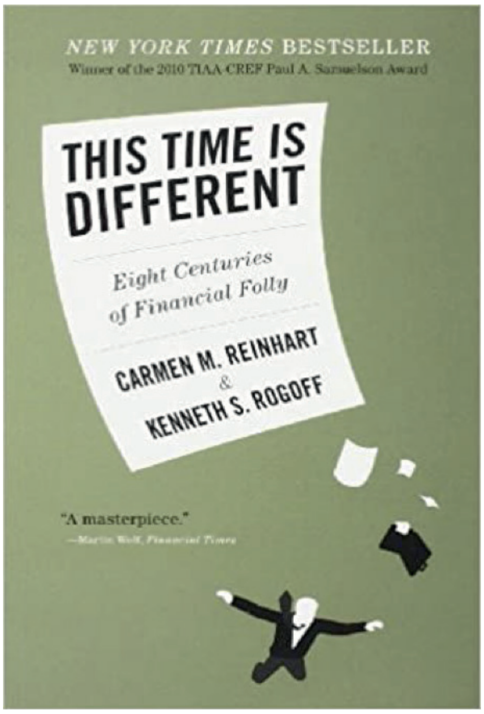

# Annual Report and Accounts

Year to 31 December 2019

**S&P 500 1929 vs 2020**



Recommended reading for those who believe history doesn't repeat itself…




Throughout history, rich and poor countries alike have been lending, borrowing, crashing–and recovering–their way through an extraordinary range of financial crises. Each time, the experts have chimed, "this time is different"–claiming that the old rules of valuation no longer apply and that the new situation bears little similarity to past disasters. With this breakthrough study, leading economists Carmen Reinhart and Kenneth Rogoff definitively prove them wrong. Covering sixty-six countries across five continents, *This Time Is Different* presents a comprehensive look at the varieties of financial crises, and guides us through eight astonishing centuries of government defaults, banking panics, and inflationary spikes–from medieval currency debasements to today's subprime catastrophe. Carmen Reinhart and Kenneth Rogoff, leading economists whose work has been influential in the policy debate concerning the current financial crisis, provocatively argue that financial combustions are universal rites of passage for emerging and established market nations. The authors draw important lessons from history to show us how much–or how little–we have learned.

Using clear, sharp analysis and comprehensive data, Reinhart and Rogoff document that financial fallouts occur in clusters and strike with surprisingly consistent frequency, duration, and ferocity. They examine the patterns of currency crashes, high and hyperinflation, and government defaults on international and domestic debts–as well as the cycles in housing and equity prices, capital flows, unemployment, and government revenues around these crises. While countries do weather their financial storms, Reinhart and Rogoff prove that short memories make it all too easy for crises to recur.

An important book that will affect policy discussions for a long time to come, *This Time Is Different* exposes centuries of financial missteps.

## Carmen Reinhart

She was Senior Policy Advisor and Deputy Director at the *International Monetary Fund* and held positions as Chief Economist and Vice President at the investment bank Bear Stearns in the 1980s. She serves in the Advisory Panel of the *Federal Reserve Bank of New York* and was a member of the *Congressional Budget Office* Panel of Economic Advisors. She has written on a variety of topics in macroeconomics and international finance. Her work has helped to inform the understanding of financial crises in both advanced economies and emerging markets. Her best-selling book (with *Kenneth S. Rogoff*) entitled *This Time is Different: Eight Centuries of Financial Folly* documents the striking similarities of the recurring booms and busts that have characterized financial history. It has been translated to over 20 languages and won the *Paul A. Samuelson Award*.

Based on publications and scholarly citations, Reinhart is ranked among the top economists worldwide, according to Research Papers in Economics (RePEc). She has testified before Congress and has been listed among Bloomberg Markets Most Influential 50 in Finance, Foreign Policy's Top 100 Global Thinkers, and Thompson Reuters' The World's Most Influential Scientific Minds. In 2018 she was awarded the King Juan Carlos Prize in Economics and NABE's Adam Smith Award, among others.

On May 20, 2020, Reinhart was appointed World Bank Chief Economist, starting on June 15, 2020

## Kenneth S. Rogoff

Kenneth Rogoff is Thomas D. Cabot Professor at *Harvard University*. From 2001–2003, Rogoff served as Chief Economist at the *International Monetary Fund*. His widely-cited 2009 book with *Carmen Reinhart*, *This Time Is Different: Eight Centuries of Financial Folly*, shows the remarkable quantitative similarities across time and countries in the run-up and the aftermath of severe financial crises. Rogoff is also known for his seminal work on exchange rates and on central bank independence. Together with Maurice Obstfeld, he is co-author of *Foundations of International Macroeconomics*, a treatise that has also become a widely-used graduate text in the field worldwide. Rogoff's 2016 book *The Curse of Cash* looks at the past, present and future of currency from standardized coinage to crypto-currencies. The book argues that although much of modern macroeconomics abstracts from the nature of currency, it is in fact lies at the heart of some of the most fundamental problems in monetary policy and public finance. His monthly syndicated column on global economic issues is published in over 50 countries.

Rogoff is an elected member of the *National Academy of Sciences*, the *American Academy of Arts and Sciences*, and the *Group of Thirty*, and He is a senior fellow at the *Council on Foreign Relations*. Rogoff is among the top ten on RePEc's ranking of economists by scholarly citations. He is also an international grandmaster of chess.

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# 2019 HIGHLIGHTS

| Group Results 2019 versus 2018 | US$ |
|---|---|
| • Group (Loss) / Profit after tax for the year | $(3.0)m vs. $7.0m |
| **Continuing Operations** | |
| • Operating Loss before exceptional costs & depreciation | $(3.4)m vs. $(4.5)m |
| • Operating Loss before depreciation (EBITDA) | $(4.3)m vs. $(4.5)m |
| • Group Loss from continuing operations | $(3.5)m vs. $(6.4)m |
| **Discontinued Operations** | |
| • Group Profit from discontinued operations | $0.5m vs. $13.4m |
| • Group Earnings Per Share (basic and diluted)*1 | $(0.18)/£(0.14) vs. $0.37/£0.28 |
| • Book value per share*2 | $1.69/£1.28 vs. $1.71/£1.34 |
| • Cash | $24.2m vs. $17.4m |
| • Debt | $ 8.0m vs. $ nil |

*1 based on weighted average number of shares in issue of 17,143,300 (2018: 18,919,049) and £1 = $1.28 (2018: £1 = $1.33)

*2 based on actual number of shares in issue as at 31 December 2019 of 16,242,283 (2018: 17,852,275) and £1 = $1.32 (2018: £1 = $1.27)

## 2019 HIGHLIGHTS

- **WGP**

  September 2019, received second earn-out payment of $4.8m related to disposal of WGP.

  Prospect of a further $4m earn-out payment associated with award of second specific contract to WGP. Expected award and payment 2021/2022 not yet included in receivables.

- **LSR**

  Thalassa's investment in The Local Shopping REIT plc ("LSR") increased to 92.62% as a result of LSR's Tender Offer which completed on 4 October 2019.

- **ARL**

  Completed Proof of Concept of Flying Node

  Attendance at EAGE in June 2019

  Presented at the Defence & Security Equipment International show ("DSEI") in September 2019 on the Royal Navy stand as part of their NavyX initiative

  Late-stage contract negotiations underway with potential strategic partners for both Commercial and Defence development programs

- **id4**

  Completed acquisition in Dec 2019 of id4 AG, a Swiss fintech company specialising in Client Life Cycle Management systems.

# CHAIRMAN'S STATEMENT

Given the impact of Coronavirus on Global Commerce, a discussion of 2019 results appears more than somewhat irrelevant. Nonetheless, I am obliged to comment on past events and, somehow, peer into a crystal ball or divine some tarot cards and advise shareholders as to the Company's future. Given that I have neither a crystal ball nor a pack of tarot cards, this exercise should be interesting, if not equally irrelevant.

2019, was from Thalassa's point of view a period of immense hard work with very little reportable news. Having said that it was also a year of substantial progress on all fronts:

**Autonomous Robotics Ltd (ARL)** completed Proof of Concept of its Flying Node and has commenced negotiations with a number of major corporations with regard to commercial and defence collaborations.

**Apeiron** completed the acquisition of id4, which, as announced in February 2020, won a Swiss FinTech award for its software and has commenced sales whilst it completes the final phase of software development.

**Anemoi** due to a combination of market and Covid-19 related circumstances the listing process is progressing more slowly than anticipated. Since the year end we have set up Anemoi International, a BVI registered company, and will update further as the situation evolves.

**WGP**, as previously reported, Thalassa received the second payment of the initial performance related earn-out in the amount of $4.8m. The total amount of the initial earn out in the amount of $6m has now been received. The Company stands to earn a further $4 million if a second specific contract is awarded before 1 January 2023. We anticipated that this contract could be awarded in 2021.

**Local Shopping REIT Plc. (LSR)**, as reported, the LSR board are currently working on a plan to transfer the Company to the Standard List and change the Company's investment objectives from a Real Estate Investment Trust to an operating company focused on Travel and Leisure, subject to necessary approvals. Further details will be announced in due course.

**Miscellaneous Holdings**, Thalassa went into the market collapse well positioned and benefited substantially from the ~30% fall in Global stock prices. Unfortunately, we have given some of these gains back along with the rapid recovery in US stock prices, notwithstanding the huge rise in global unemployment and, in our opinion, inevitable collapse in demand which is likely to last far longer than the current recovery appears to reflect.

**Gitone**. After the year end we announced in January 2020 that Thalassa had entered into a loan contract with Gitone Beteiligungsverwaltungs GmbH (Gitone) to lend €11 million through two tranches of €5.5m. Gitone is a company established in Croatia for the purpose of purchasing shares in Liburnia Riviera Hoteli d.d. and other hospitality investments. The first tranche of €5.5m was paid in January 2020, and as announced 20 May 2020 the terms of the contract were renegotiated and the loan reduced to €5.5m.

**Share buy-back**. The Company's share buy-back programme has been suspended in order to conserve cash during the current economic turmoil; at the time of writing the Company has repurchased a total of ca.9.325 million shares at an average price of 69.97 pence per share for an aggregate amount of ca. £6.5 million. Under the current buy-back authority of 5 March 2019 the Company has £5.05 million of facility left.

**Covid-19**, In the Board's opinion, a smooth Global economic recovery from the impact of Covid-19 is unlikely. The Directors have considered a number of potential downside scenarios and taken steps to minimise any impact on the Group. Actions have been taken across all Group companies to reduce our outgoings where possible.

The Group has fully assessed its financial commitments and as at the time of writing has net cash of $10.5m plus a further $5.5m of available for sale investments. We are confident that the Company can mitigate any potential impact from Covid-19 and can deploy its capital profitably.

I would like to thank the Company's staff who continue to work tirelessly in these difficult times.

**Duncan Soukup**
Chairman

**26 June 2020**

# FINANCIAL REVIEW

## GROUP RESULTS

**Continuing Operations**

**Total revenue** from continuing operations for the year to 31 December 2019 was $0.2m (2018: $0m) following the acquisition of The Local Shopping REIT ("LSR") on 1 October 2019.

**Cost of Sales** on continuing operations were $0.3m (2018: $0.1m), resulting in a **Gross Loss** of $0.1m (2018: gross loss $0.1m).

**Administrative expenses** on continuing operations before exceptional costs were $3.3m (2018: $4.4m) and **depreciation** $0.03m compared to $0.04m in 2018.

**Exceptional costs** of $0.9m (2018: $ nil) were incurred relating to the acquisition of LSR and the move by Thalassa from AIM to the main market on the London Stock Exchange.

**Operating Loss** was therefore $4.5m (2018: loss $4.6m).

**Net financial income/(expense)** of $(0.6)m included net foreign exchange losses, net interest expense and net losses from financial investments (2018: income $0.5m).

**Share of profits less losses of associated entitie**s was a profit of $1.4m (2018: loss $2.4m) relating to the completion of the LSR share buy back proposal which concluded with Thalassa holding 92.62% of the shares in LSR at a price of 31.33 pence.

**Loss before tax** on continuing operations was $3.8m (2018: loss $6.5m).

**Tax** on continuing operations for the period was a credit of $0.3m relating a R&D tax credit (2018: credit $0.07m).

**Loss for the year** from continuing operations was therefore $3.5m (2018: loss $6.4m).

**Discontinued Operations**

No businesses were sold during the year but agreement was reached on a tax provision which was released giving a Profit for the year from discontinued operations of $0.5m (2018: $13.4m).

**Profit for the year**

This resulted in a Group loss for the year of $3.0m (2018: $7.0m).

**Net assets** at 31 December 2019 amounted to $27.4m (2018: $30.5m) resulting in net assets per share of $1.69 (£1.28) based on 16,242,283 shares in issue versus $1.71 (£1.34) in 2018 including cash of $24.2m equivalent to $1.49 (£1.13) per share (2018: $17.4m and $0.97 (£0.76) per share).

**Net cash flow** from operations amounted to an outflow of $0.05m as compared to $7.9m in 2018.

**Net cash from investing activities**, amounted to an inflow of $0.3m (2018 $0.2m) relating to continuing operations in the purchase of available for sale investments and investments in subsidiaries and an outflow of $0.3m (2018: inflow $19.1m) from investing activities from discontinued operations.

**Net cash inflow from financing activities** amounted to $6.2m relating to the buy back of 1,609,992 Thalassa ordinary shares into Treasury at an average price of £0.64 plus a net increase in borrowings..

**Net increase in cash and cash equivalents** was $6.2m resulting in Cash and Cash Equivalents at 31 December 2019 of $24.2m (2018: $17.4m).

# DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

## BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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 is a holding company with interests in property, and marine seismic/defence R&D.

**Autonomous Robotics Ltd** (formerly GO Science 2013 Ltd) is a wholly owned subsidiary of Thalassa.

**Apeiron Holdings (BVI) Ltd** (formerly Autonomous Holdings Ltd) is a wholly owned subsidiary of Thalassa. At the year end it held 84% of Apeiron Holdings AG, a company registered in Switzerland who in turn had one wholly owned subsidiary, Id4 AG. Id4 is a fintech company specialising in Client Life Cycle Management systems.

**WGP Geosolutions Limited** is a wholly owned subsidiary of Thalassa with a single subsidiary, WGP Group AT GmbH, both currently non-operational.

**The Local Shopping REIT Plc** ("LSR") is 92.62% owned by Thalassa. LSR holds a small portfolio of primarily commercial property.

## RESULTS AND DIVIDENDS

The Group made a loss attributable to shareholders of the parent for the year ended 31 December 2019 of $3.0m (2018: profit $7m). The Directors do not recommend the payment of a dividend.

## DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company who held office during the year and to date, including details of their interest in the share capital of the Company, are as follows:

| Name | Date Appointed | Shares held | Share options |
|---|---|---|---|
| **Executive Director** | | | |
| C Duncan Soukup | 26 September 2007 | 3,562,571 | - |
| **Non-Executive Directors** | | | |
| Graham Cole | 2 April 2008 | 39,870 | - |
| David M Thomas | 2 April 2008 | - | - |
| Martyn Porter | 20 May 2020 | - | - |

## DIRECTORS' REMUNERATION

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Director Fees $ | Consultancy Fees $ | Director Fees $ | Consultancy Fees $ |
| **Executive Directors** | | | | |
| Duncan Soukup | 378,000 | 314,000 | 748,000 | 300,000 |
| **Non-Executive Directors** | | | | |
| Graham Cole | 32,000 | - | 75,747 | - |
| David Thomas | 28,000 | - | 75,747 | - |
| Francis Smulders | - | - | 125,000 | - |
| **Total remuneration** | **438,000** | **314,000** | **1,024,494** | **300,000** |

# DIRECTORS' REPORT CONTINUED

## SUBSTANTIAL SHAREHOLDINGS

As of 18 June 2020, the Company had been advised of the following substantial shareholders:

| Name | Holding Ordinary Shares | % |
|---|---|---|
| Duncan Soukup | 3,562,571 | 21.9 |
| Lombard Odier Asset Management (Europe) Limited | 3,449,266 | 21.2 |
| THAL Discretionary Trust* | 3,078,667 | 19.0 |
| Mark Costar | 800,000 | 4.9 |
| Church House Investments Limited | 650,000 | 4.0 |
| Tarason Development Inc. | 300,000 | 1.8 |
| Other | 4,401,779 | 27.2 |
| **Total number of shares in issue** | **16,242,283[1]** | **100.0** |

[1] Excluding 9,325,239 shares held in treasury

In addition to the above the following shares were held:
100,000 shares held by Mr Soukup's wife
50,000 shares held by Mr Soukup's wife as a trustee of the DS Discretionary Trust A
50,000 shares held by Mr Soukup's wife as trustee of The Charitable Trust, a charitable trust.

* C.Duncan Soukup is a trustee of THAL Discretionary Trust

## SHARE BUY-BACK

The Company's share buy-back programme has been suspended in order to conserve cash during the current economic turmoil. The Company has repurchased a total of 9.325 million shares at an average price of 69.97 pence per share for an aggregate amount of ca. £6.5 million. Under the current buy-back authority of 5 March 2019 the Company has £5.05 million of facility left.

## SHARE REDEMPTIONS

The Company amended its Articles of Association in October 2019 to allow the Board maximum flexibility in the manner in which it may seek to return capital to shareholders. Full details of the amendments are outlined on the Company's website in a letter from the Chairman dated 17 September 2019 together with a full copy of the new Memorandum of Association and Articles of Association dated 19 October 2019.

## RELATED PARTY TRANSACTIONS

Details of all related party transactions are set out in note 12 to the financial statements.

## OPERATIONAL RISKS

The Company may acquire either less than whole voting control of, or less than a controlling equity interest in, an investment target, which may limit its operational strategies.

The Company is dependent upon the Directors, and in particular, Mr C. Duncan Soukup, who serves as the Executive Chairman, to identify potential acquisition opportunities and to execute any acquisition. The unexpected loss of the services of Mr Soukup or other Directors could have a material adverse effect on the Company's ability to identify potential acquisition opportunities and to execute an acquisition.

The Company may invest in or acquire unquoted companies, joint ventures or projects which, amongst other things, may be leveraged, have limited operating histories, have limited financial resources or may require additional capital.

## FINANCIAL RISKS

Details of the financial instrument risks and strategy of the Group are set out in note 28.

## BREXIT RISK

The outcome of the Brexit negotiations is currently uncertain and may have an impact on the Company's investments. The Board continues to evaluate the potential risks associated with either a final agreement or a no deal Brexit and will assess the possible impact on its key investments and investment strategy.

## COVID-19

COVID-19 has had a major impact on the trading of businesses both in the UK and overseas. The Company has taken steps to reduce some of its financial commitments during the current lockdown period and will continue to review and make further savings where possible. The COVID-19 virus has had an impact on the tenants of LSR and we are working closely with them with a view to assisting them to apply for grants & business rate exemptions.

## RISKS AND UNCERTAINTIES

A summary of the key risks and mitigation strategies is below:

| | **Risk** | **Mitigation** |
|---|---|---|
| 1. | Insufficient cash resources to meet liabilities, continue as a going concern and finance key projects. | Short term and annual business plans are prepared and are reviewed on an ongoing basis. Use of various hedging instruments in order to mitigate major financial risks. |
| 2. | Loss of key management/staff resulting in failure to identify and secure potential investment opportunities and meet contractual requirements. | Regular review of both the Board's and key management's abilities. Review of salaries and benefits including long term incentives and ongoing communication with key individuals. |
| 3. | Failure to maintain strong and effective relations with key stakeholders in investments resulting in loss of contracts or value. | The Board and senior management seek to establish and maintain an open and transparent dialogue with key stakeholders. |
| 4. | Failure to comply with law and regulations in the jurisdictions in which we operate. | Key management are professionally qualified. In addition the Company appoints relevant professional advisers (legal, tax, accounting etc) in the jurisdictions in which we operate. |
| 5. | Significant changes in the political environment, including the impact of Brexit, results in loss of resources/market and/or business failure. | The Company's current investments are not expected to be adversely impacted by a no deal Brexit and Management is continuing to monitor the wider political environment to ensure that steps are taken to mitigate political risk. |
| 6. | Death, illness or serious business disruption due to Covid-19 or other pandemics. | The Company seeks to comply with all legal requirements and guidance within the various territories in which it operates. The Board aims to take all reasonable steps to protect its employees, suppliers and customers, whilst safeguarding its business interests. |

## DIRECTORS' RESPONSIBILITIES

The Directors have elected to prepare the financial statements for the Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards as adopted by the European Union. A fair presentation also requires the Directors to:

- select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs as applied by the E.U. is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The financial statements are published on the Group's website. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

## AGM

The Annual General Meeting will be held at the Hotel Ambasador, Opatija, Croatia on 15 July 2020 at 11:00 am. A notice of the meeting is attached to this Annual Report. The resolutions to be considered at the meeting include a resolution to make certain amendments to the Company's articles of association, and this resolution constitutes special business under the articles of association. The effect of the proposed amendments to the articles on the Company will be to bring its articles of association into line with current BVI law.

## AUDITORS

A resolution to confirm the appointment Jeffreys Henry LLP as the Company's auditors will be submitted to the shareholders at the Annual General Meeting.

**Approved by the Board and signed on its behalf by**

**C.Duncan Soukup**
Chairman

**26 June 2020**

# CORPORATE GOVERNANCE STATEMENT

The Company's shares at the beginning of the year were quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange. On 6 February 2019 the Company confirmed its shares were admitted to trading on the London Stock Exchange's main market. The Board recognises the importance and value for the Company and its shareholders of good corporate governance. The Company Statement on Corporate Governance is available at https://thalassaholdingsltd.com/corporate-gov.htm and repeated in full below.

## BOARD OVERVIEW

In formulating the Company's corporate governance framework, the Board of Directors have reviewed the principles of good governance set out in the QCA code (the Corporate Governance Code for Small and Mid-Sized Quoted Companies 2018 published by the Quoted Companies Alliance) so far as is practicable and to the extent they consider appropriate with regards to the Company's size, stage of development and resources. However, given the modest size and simplicity of the Company, at present the Board of Directors do not consider it necessary to adopt the QCA code in its entirety.

The purpose of corporate governance is to create value and long-term success of the Group through entrepreneurism, innovation, development and exploration as well as provide accountability and control systems to mitigate risks involved.

## COMPOSITION OF THE BOARD AND BOARD COMMITTEES

As at the date of this report, the Board of Thalassa Holdings Ltd comprises of one Executive Director and two Non-Executive Directors, which complies with the QCA Code.

## BOARD BALANCE

The current Board membership provides a balance of industry and financial expertise which is well suited to the Group's activities. This will be monitored and adjusted to meet the Group's requirements. The Board is supported by the Audit Committee, Remuneration Committee and Regulatory Compliance Committee, all of which have the necessary character, skills and knowledge to discharge their duties and responsibilities effectively.

Further information about each Director may be found on the Company's website at www.thalassaholdingsltd.com/board-directors.htm. The Board seeks to ensure that its membership has the skills and experience that it requires for its present and future business needs.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. The Board has a procedure allowing Directors to seek independent professional advice in furtherance of their duties, at the Company's expense.

## RE-ELECTION OF DIRECTORS

In line with the UK Corporate Governance Code, all Directors are subject to re-election each year, subject to satisfactory performance.

## BOARD AND COMMITTEE MEETINGS

The Board meets sufficiently regularly to discharge its duties effectively with a formal schedule of matters specifically reserved for its decision.

The Board held four full meetings for regular business during 2019, in addition to a number of informal ones. These included meetings of the Audit Committee, the Remuneration Committee and the Regulatory Compliance Committee as required.

## AUDIT COMMITTEE

During the financial period to 31 December 2019, the Audit Committee consisted of Graham Cole and any other one director.

The key functions of the audit committee are for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Committee has formal terms of reference.

The external auditor, Jeffreys Henry, was appointed on 16 January 2019 and has indicated its independence to the Board.

## REMUNERATION COMMITTEE

During the financial period to 31 December 2019, the Remuneration Committee consisted of David Thomas and any other one director. It is responsible for determining the remuneration and other benefits, including bonuses and share based payments, of the Executive Directors, and for reviewing and making recommendations on the Company's framework of executive remuneration. The Committee has formal terms of reference.

The remuneration committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on the terms and conditions of service of the executive Directors, including their remuneration and grant of options.

## REGULATORY COMPLIANCE COMMITTEE

During the financial period to 31 December 2019, the Regulatory Compliance Committee consisted of Graham Cole and any other one director. The committee is responsible for ensuring that the Company's obligations under the Listing Rules are discharged by the Board. The Committee has formal terms of reference.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## STATEMENT ON CORPORATE GOVERNANCE

The corporate governance framework, which Thalassa Holdings Ltd ("Thalassa", the "Group" or the "Company") has set out, including board leadership and effectiveness, remuneration and internal control, is based upon practices which the board of directors of Thalassa (the "Board' or the "Directors") believes are proportionate to the risks inherent to the size and complexity of Thalassa's operations.

The Board considers it appropriate to adopt the principles of the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") published in April 2018. The extent of compliance with the ten principles that comprise the QCA Code, together with an explanation of any areas of non-compliance, and any steps taken or intended to move towards full compliance, are set out below:

### 1. Establish a strategy and business model which promote long-term value for shareholders

The Company is a Holding Company which has in the past and will in the future seek to acquire assets which in the opinion of the Board should generate long term gains for its shareholders. The current strategy and business operations of the Company are set out in the Chairman's Statement on page 4. Shareholders and potential investors must realise that the objectives set out in the documents referred to above are simply that; "objectives" and that the Company may without prior notification change these objectives based upon opportunities presented to the Board or market conditions.

The Group's strategy and business model and amendments thereto, are developed by the Executive Chairman and his senior management team, and approved by the Board. The management team, led by the Executive Chairman, is responsible for implementing the strategy and overseeing management of the business at an operational level.

The Board is actively considering a number of opportunities and, ultimately, the Directors believe that this approach will deliver long-term value for shareholders. In executing the Group's strategy, management will seek to mitigate/hedge risk whenever possible.

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

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 92.62% of The Local Shopping REIT plc ("LSR"). The Company's LSR investment is more comprehensively described in the Group's Annual Report and Accounts;

4. Education: There are few businesses that offer the same longevity and predictability of earnings as Education; and

5. R&D: Development situations such as Autonomous Robotics ("ARL"), where the Board sees an opportunity to participate in disruptive, early stage technology.

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

### 2. Seek to understand and meet shareholder needs and expectations

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. All reports and press releases are published in the Investor Relations section of the Group's website.

### 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's consultants, employees, partners, suppliers, regulatory authorities and entities with whom it has contracted. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments where appropriate and where such amendments are consistent with the Group's longer term strategy.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities. The Group's corporate social responsibility approach continues to meet these expectations.

### 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage and whenever possible minimise or eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.

A budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a regular basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

The senior management team meet regularly to consider new risks and opportunities presented to the Group, making recommendations to the Board and/or Audit Committee as appropriate.

The Board has an established Audit Committee, a summary of which is set out at http://thalassaholdingsltd.com/board-directors.htm.

The Company receives comments from its external auditors on the state of its internal controls.

The more significant risks to the Group's operations and the management of these have been disclosed in the Chairman's statement on page 4 of the 2019 Annual Report.

## 5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board currently comprises two Non-executive Directors and an Executive Chairman. Directors' biographies are set out here http://thalassaholdingsltd.com/board-directors.htm.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election every year.

The Board is responsible to the shareholders for the proper management of the Group and meets at least four times a year to set the overall direction and strategy of the Group, to review operational and financial performance and to advise on management appointments.

A summary of Board and Committee meetings held in the year ended 31 December 2019, and Directors' attendance records, is set out in above.

The Board considers itself to be sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors. Both of the Non-executive Directors who currently sit on the Board of the Company are regarded as independent under the QCA Code's guidance for determining such independence.

Non-executive Directors receive their fees in the form of a basic cash fee based on attendance at board calls and board meetings. Directors are eligible for bonuses. The current remuneration structure for the Board's Non-executive Directors is deemed to be proportionate.

## 6. Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The Board considers that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in technical, operational and financial matters.

The Company has put in place an Audit Committee as well as Remuneration and Listing Compliance Committees. The responsibilities of each of these committees are described at http://thalassaholdingsltd.com/board-directors.htm.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the on-going development of the Group.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, Directors received updates from the Company Secretary and various external advisers on a number of regulatory and corporate governance matters.

Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities, normally via the Company Secretary.

## 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board's performance is measured by the success of the Company's acquisitions and investments and the returns that they generate for shareholders and in comparison to peer group companies. This performance is presented in the Group's monthly management accounts and reported, discussed and reviewed with the Board regularly.

The Board is supported by the CFO, a role which is currently fulfilled by a consultant, and the Company Secretary. The Board regularly reviews succession planning and it in the process of identifying a full time CFO.

## 8. Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group. The management team regularly monitors the Group's cultural environment and seeks to address any concerns than may arise, escalating these to Board level as necessary.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area.

Thalassa has a strong ethical culture, which is promoted by the actions of the Board and management team. The Group has an anti-bribery policy and would report any instances of non-compliance to the Board. The Group has undertaken a review of its requirements under the General Data Protection Regulation, implementing appropriate policies, procedures and training to ensure it is compliant.

## 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for promoting the success of the Group. The Chairman has day-to-day responsibility for the operational management of the Group's activities. The Non-executive Directors are responsible for bringing independent and objective judgment to Board decisions. Matters reserved for the Board include strategy, investment decisions, corporate acquisitions and disposals.

There is a clear separation of the roles of Executive Chairman and Non-executive Directors. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. Due to its current size, the Group does not require nor bear the cost of a chief executive. The Company's subsidiary ARL is led by a chief executive.

The Chairman has overall responsibility for corporate governance matters in the Group but does not chair any of the Committees. The Chairman also has the responsibility for implementing strategy and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Audit Committee normally meets twice at least once a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

A summary of the work of the Audit Committee undertaken in the year ended 31 December 2019 is set out above. The Committee has formal terms of reference, which are set out at http://thalassaholdingsltd.com/board-directors.htm.

The Remuneration Committee, which meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Directors. It also supervises the Company's share incentive schemes and sets performance conditions for share options granted under the schemes.

A summary of the work of the Remuneration Committee undertaken in the year ended 31 December 2019 is set out above. The Committee has formal terms of reference.

The Directors believe that the above disclosures constitute sufficient disclosure to meet the QCA Code's requirement for a Remuneration Committee Report. Consequently, a separate Remuneration Committee Report is not presented in the Group's Annual Report.

The Listing Compliance Committee, which meets as required, is responsible for ensuring that the Company's obligations under the Listing Rules are discharged by the Board. The Committee has formal terms of reference set out at http://thalassaholdingsltd.com/board-directors.htm.

## 10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board believes that the Annual Report and Accounts, and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Group's position and prospects. The Annual Report includes a Corporate Governance Statement which refers to the activities of both the Audit Committee and Remuneration Committee. All reports and press releases are published in the Investor Relations section of the Group's website.

The Group's financial reports and notices of General Meetings of the Company can be found at http://thalassaholdingsltd.com/company-documents.htm. The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS' OF THALASSA HOLDINGS LTD

## OPINION

We have audited the consolidated financial statements of Thalassa Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs).

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs;

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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 group's or the parent 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.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| Treatment of acquisitions in the year: | |
| *Acquisition of id4 AG ("id4") through subsidiary Apeiron Holdings AG*<br>In December 2019 the Group acquired id4 AG for cash consideration of CHF113,330 and 16% of the share capital of Apeiron AG.<br>The acquisition has resulted in the recognition of goodwill of CHF 198k (USD 205k).<br>Deemed acquisition of The Local Shopping REIT plc ("LSR")<br>The acquisition of a controlling shareholding in LSR, through non-participation in the share-buyback program, resulted in LSR being consolidated as a subsidiary as of 1 October 2019. Prior to this, LSR had been accounted for as an associate, requiring a deemed disposal before accounting for the acquisition.<br>The acquisition has resulted in the recognition of goodwill of GBP 119k (USD 157k), which has been fully impaired at the year end. | The calculations were reviewed for arithmetical accuracy and agreed to key supporting documentation to provide assurance that the acquisitions were treated appropriately. Fair values assigned to the net assets at acquisition, and consideration paid were assessed and challenged.<br>Goodwill has been recognised on the acquisition of id4 and the deemed acquisition of LSR. Id4 is a software company, that at the time of acquisition had a near- functional first version of the software developed. The value of developing an internal software, could reasonably be expected to exceed the $205k recognised. At this early date, no impairment is indicated.<br>Management have undertaken an impairment of the goodwill recognised on LSR, being the total balance recognised of $157k. Although not indicated as necessary by the value of the net assets at the year end, the Group is loss making. |

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS' OF THALASSA HOLDINGS LTD CONTINUED

| Capitalisation of development costs | |
|---|---|
| During the year the Group capitalised development costs of $173k (2018 : $nil), in connection with the development of Autonomous Nodes by the subsidiary Autonomous Robotics Limited.<br>The successful achievement of Proof of Concept was announced in the June 2019, and as of this date, Management have considered all criteria for capitalisation to have been met. | We considered whether the costs met the criteria under IAS38 for capitalisation.<br>A sample of costs were vouched, and where allocated on a percentage basis, the policy was assessed for reasonableness. |

## OUR APPLICATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements |
|---|---|
| Overall materiality | $198,000 (2018: $357,000) |
| How we determined it | 5% of adjusted profit/loss before tax. |
| Rationale for benchmark applied | We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $150 and $131,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $9,900 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of twelve reporting units, comprising the Group's operating businesses and holding companies.

Of the 20 entities, we identified two which were considered to be significant components for the purposes of the Group financial statements, and which, in our view, required a full audit of their complete financial information in order to ensure that sufficient appropriate audit evidence was obtained.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement [set out on page 8], 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 group'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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S 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 auditor's 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS' OF THALASSA HOLDINGS LTD CONTINUED

about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

We were appointed by the board of directors on 16 January 2019 to audit the financial statements for the period ending 31 December 2018. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2018 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

## USE OF THIS REPORT

This report is made solely to the company's members, as a body. 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 auditor's 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.

**Jeffreys Henry LLP**

Chartered Accountants

Finsgate
5-7 Cranwood Street
London EC1V 9EE

**26 June 2020**

# CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 3 | 170,357 | 3,188 |
| Cost of sales | | (276,001) | (109,027) |
| **Gross profit / (loss)** | | **(105,644)** | **(105,839)** |
| Administrative expenses excluding exceptional costs | | (3,332,632) | (4,428,743) |
| Exceptional administration costs | 5 | (898,878) | - |
| Total administrative expenses | | (4,231,510) | (4,428,743) |
| **Operating loss before depreciation** | | **(4,337,154)** | **(4,534,582)** |
| Depreciation | 14 | (26,308) | (41,919) |
| Impairment | | (157,185) | - |
| **Operating loss** | **4** | **(4,520,647)** | **(4,576,501)** |
| Net financial income/(expense) | 7 | (640,117) | 470,050 |
| Share of losses of associated entities | 24 | (629,523) | (2,353,182) |
| Profits on disposal of associated entities | 24 | 2,000,978 | - |
| **Loss before taxation** | | **(3,789,309)** | **(6,459,633)** |
| Taxation | 8 | 253,065 | 68,015 |
| **Loss for the year from continuing operations** | | **(3,536,244)** | **(6,391,618)** |
| **Discontinued Operations** | | | |
| **Profit for the year from discontinued operations** | **25** | **478,046** | **-** |
| **Gain on disposal of WGP assets** | **25** | **-** | **13,419,475** |
| **(Loss) / Profit for the year** | | **(3,058,198)** | **7,027,857** |
| **Attributable to:** | | | |
| Equity shareholders of the parent | | (3,028,479) | 7,027,857 |
| Non-controlling interest | | (29,719) | - |
| | | (3,058,198) | 7,027,857 |
| **Earnings per share – US$ (using weighted average number of shares)** | | | |
| Basic and Diluted – Continuing Operations | | (0.20) | (0.34) |
| Basic and Diluted – Discontinued Operations | | 0.03 | 0.71 |
| **Basic and Diluted** | **9** | **(0.18)** | **0.37** |

The notes on pages 24 to 50 form an integral part of this consolidated financial information.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Profit for the financial year** | **(3,058,198)** | **7,027,857** |
| **Other comprehensive income:** | | |
| Exchange differences on re-translating foreign operations | 578,281 | 109,344 |
| **Total comprehensive income** | **(2,479,917)** | **7,137,201** |
| | | |
| **Attributable to:** | | |
| Equity shareholders of the parent | (2,450,198) | 7,137,201 |
| Non-Controlling interest | (29,719) | - |
| **Total Comprehensive income** | **(2,479,917)** | **7,137,201** |

The notes on pages 24 to 50 form an integral part of this consolidated financial information.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 13 | 204,724 | - |
| Intangible assets | 13 | 173,466 | - |
| Investment properties | 15 | 4,138,318 | - |
| Property, plant and equipment | 14 | 75,455 | 16,803 |
| Available for sale financial assets | 16 | 4,801,450 | 787,518 |
| Loans | 10 | 1,695,302 | 1,645,260 |
| Investments in associated entities | 24 | - | 6,727,670 |
| **Total non-current assets** | | **11,088,715** | **9,177,251** |
| **Assets Held for Sale** | **15** | **435,383** | **-** |
| **Current assets** | | | |
| Trade and other receivables | 19 | 1,432,031 | 6,095,202 |
| Cash and cash equivalents | | 24,198,744 | 17,370,372 |
| **Total current assets** | | **25,630,775** | **23,465,574** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 1,685,491 | 2,156,692 |
| Borrowings | 11 | 7,557,243 | - |
| **Total current liabilities** | | **9,242,734** | **2,156,692** |
| **Net current assets** | | **16,388,041** | **21,308,882** |
| **Non-current liabilities** | | | |
| Lease liabilities | 11 | 510,965 | - |
| **Total non-current liabilities** | | **510,965** | **-** |
| **Net assets** | | **27,401,174** | **30,486,133** |
| **Shareholders' Equity** | | | |
| Share capital | 21 | 255,675 | 255,675 |
| Share premium | | 45,416,298 | 45,416,298 |
| Treasury shares | 21 | (8,690,465) | (7,337,959) |
| Other reserves | | 439,199 | (139,082) |
| Non-Controlling Interest | | 628,673 | - |
| Retained earnings | | (10,648,206) | (7,708,799) |
| **Total shareholders' equity** | | **27,401,174** | **30,486,133** |
| **Total equity** | | **27,401,174** | **30,486,133** |

The notes on pages 24 to50 form an integral part of this consolidated financial information.

These financial statements were approved and authorised by the board on 4 June 2020.

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

**C. Duncan Soukup**
Chairman

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

| | Notes | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit/(Loss) for the year before taxation** | | **(3,789,309)** | **6,959,842** |
| Impairment losses on goodwill | | 157,185 | - |
| (Increase)/decrease in trade and other receivables | | 5,956,290 | (185,787) |
| (Decrease)/increase in trade and other payables | | (896,649) | (3,359,710) |
| Loss/(gain) on disposal of PPE | | 2,686 | (13,419,475) |
| Gain/(loss) on disposal of AFS investments | | (23,484) | (207,509) |
| Net exchange differences | | (287,533) | (32,875) |
| Accrued interest income | | (50,042) | (48,565) |
| Depreciation | 14 | 26,308 | 41,919 |
| Share of losses of associate/gain on disposal | | (1,371,455) | 2,338,218 |
| Fair value movement on AFS financial assets | | 224,307 | (25,516) |
| **Cash generated by operations** | | **(51,696)** | **(7,939,458)** |
| Taxation | | 132,663 | 68,015 |
| **Net cash flow from operating activities** | | **80,967** | **(7,871,443)** |
| **Net cash flow from discontinued operations** | | **-** | **-** |
| Sale/(purchase) of property, plant and equipment | | (15,181) | (3,638) |
| Sale/(purchase) of intangible assets | | (173,466) | - |
| Sale/(purchase) of investment property | | 293,521 | - |
| Net (purchase)/sale of AFS financial assets | | (4,214,755) | 186,197 |
| Net cash acquired on acquisition of subsidiaries | | 4,450,049 | - |
| **Net cash flow in investing activities – continuing operations** | | **340,168** | **182,559** |
| Proceeds from the disposal of WGP assets | | - | 19,106,548 |
| Payment/proceeds from the Norwegian tax settlement of WGP group | | (346,296) | - |
| **Net cash flow from / (used) in investing activities – discontinued operations** | | **(346,296)** | **19,106,548** |
| **Cash flows from financing activities** | | | |
| Purchase of treasury shares | | (1,352,506) | (2,280,798) |
| Proceeds from borrowings | | 23,649,036 | - |
| Repayment of borrowings | | (16,128,792) | - |
| **Net cash flow from financing activities – continuing operations** | | **6,167,738** | **(2,280,798)** |
| **Net increase in cash and cash equivalents** | | **6,242,577** | **9,136,866** |
| Cash and cash equivalents at the start of the year | | 17,370,372 | 8,091,288 |
| Effects of exchange rate changes on cash and cash equivalents | | 585,795 | 142,218 |
| **Cash and cash equivalents at the end of the year** | | **24,198,744** | **17,370,372** |

The notes on pages 24 to 50 form an integral part of this consolidated financial information.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Treasury Shares | Other Reserves | Retained Earnings | Total | Non-controlling Interest | Total Shareholders Equity |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance as at 31 December 2017** | **255,675** | **45,416,298** | **(5,057,161)** | **(248,426)** | **(14,736,656)** | **25,629,730** | **-** | **25,629,730** |
| Purchase of treasury shares | - | - | (2,280,798) | - | - | (2,280,798) | - | (2,280,798) |
| Total comprehensive income for the period | - | - | - | 109,344 | 7,027,857 | 7,137,201 | - | 7,137,201 |
| **Balance as at 31 December 2018** | **255,675** | **45,416,298** | **(7,337,959)** | **(139,082)** | **(7,708,799)** | **30,486,133** | **-** | **30,486,133** |
| Purchase of treasury shares | - | - | (1,352,506) | - | - | (1,352,506) | - | (1,352,506) |
| Acquisition of subsidiary with NCI | - | - | - | - | 89,072 | 89,072 | 658,392 | 747,464 |
| Total comprehensive income for the period | - | - | - | 578,281 | (3,028,479) | (2,450,198) | (29,719) | (2,479,917) |
| **Balance as at 31 December 2019** | **255,675** | **45,416,298** | **(8,690,465)** | **439,199** | **(10,648,206)** | **26,772,501** | **628,673** | **27,401,174** |

The notes on pages 24 to 50 form an integral part of this consolidated financial information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

## 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 is a holding company with various interests across a number of industries.

Autonomous Robotics Limited ("ARL" – formerly GO Science 2013 Ltd) is a wholly owned subsidiary of Thalassa and is an Autonomous Underwater Vehicle ("AUV") research and development company.

Apeiron Holdings is a BVI registered business and is a wholly owned by Thalassa. It owns 84% of Apeiron AG which is a company registered in Switzerland. Apeiron AG completed on the acquisition of iD4, a fintech company, also registered in Switzerland.

The Local Shopping Reit was acquired as a 92.62% owned subsidiary as a result of the tender offer which completed on 1 October 2019.

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

## 2. ACCOUNTING POLICIES

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

The financial statements are expressed in US dollars, being the functional currency of the company and its subsidiaries other than DOA Exploration Ltd, LSR Group and Autonomous Robotics Limited which have a functional currency of pound sterling, WGP Group AT GmbH, WGP Geosolutions Ltd and Anemoi SA of Euro and Apeiron AG and id4 of Swiss francs.

The principal accounting policies are summarised below. They have been applied consistently throughout the period covered by these financial statements.

### 2.1. NEW INTERPRETATIONS AND REVISED STANDARDS EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

The Group has adopted the new interpretations and revised standards effective for the year ended 31 December 2019. The adoption of these interpretations and revised standards has had no material impact on the disclosures and presentation of the financial statements during the year.

IFRS 16 Leases

The Group has adopted IFRS 16 'Leases' (hereinafter referred to as 'IFRS 16') with effect from 1 January 2019. The adoption of this new Standard has resulted in the Group recognising a right of use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a short life of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised as an adjustment to the opening balance of property, plant and equipment and lease liabilities for the current period. Prior periods are not required to be restated.

Further information on the impact of the new policy is disclosed in note 18.

On transition to IFRS 16, the Group recognised additional right-of-use assets, recognising the difference in retained earnings.

The impact on transition is summarised below:

| **Impact on assets, liabilities and equity as at 31 December 2019** | **As if IAS 17 still applied $** | **IFRS 16 adjustments $** | **As presented $** |
|---|---|---|---|
| Property, plant and equipment*1 | 14,414 | 61,041 | 75,455 |
| Net impact on total assets | | 61,041 | |
| | | | |
| Lease liabilities*1 | (13,185) | (48,603) | (61,788) |
| Retained earnings | (10,736,776) | (12,438) | (10,749,214) |
| Total impact on total liabilities and equity | | (61,041) | |

*1 The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense.

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset, or restore a property, at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It will also be remeasured to reflect any reassessment or modification, or if there are changes in the in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

## 2.2. STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE

As of the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

| **Title** | **Application date of standard (Periods commencing on or after)** |
|---|---|
| IFRS 17 Insurance Contracts | 1 January 2021 |
| Definition of Material – Amendments to IAS 1 and IAS 8 | 1 January 2020 |
| Definition of a Business – Amendments to IFRS 3 | 1 January 2020 |
| Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| Sale or contribution of assets between an investor and its associate or joint venture –Amendments to IFRS 10 and IAS 28 | n/a |

The Directors anticipate that the adoption of these standards and the interpretation of these periods will have no material impact on the financial statements of the Company.

## 2.3. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

## 2.4. JUDGEMENT AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no key estimates.

The key judgement areas relate to the carrying value of provisions for doubtful debts and loans receivable. Plant and Equipment is reviewed annually for indication of impairment. Goodwill is reviewed annually for indication of impairment. Intellectual property is amortised and also reviewed annually for indication of impairment. Outstanding trade receivables are reviewed for potential recovery and provisions for bad and doubtful debts included where necessary. Loans receivable are reviewed for potential recovery and impairments included where necessary. Capitalised research and development costs are reviewed annually for indication if impairment.

Judgement is also made in respect of the accounting treatment of the THAL Discretionary Trust. Management's assessment is based on various indicators including activities, decision-making, benefits and risks of the Trust. Based on this assessment, management consider that the THAL Discretionary Trust should not be consolidated.

## 2.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. Cost includes the purchase price, including import duties, non-refundable purchase taxes and directly attributable costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Cost also includes capitalised interest on borrowings, applied only during the period of construction.

Fixed assets are depreciated on a straight line basis between 3 and 15 years from the point at which the asset is put into use.

## 2.6. INTANGIBLE ASSETS

### GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.16) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### DEVELOPMENT COSTS

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. Such intangible assets are carried at cost less amortisation. Amortisation is charged to 'Administrative expenses' in the Statement of Comprehensive Income on a straight-line basis over the intangible assets' useful economic life. The amortisation is based on a straight-line method typically over a period of 1-10 years depending on the life of the related asset.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development costs are capitalised as an intangible asset only if the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefit;
- the development cost of the asset can be measured reliably;
- it meets the Group's criteria for technical and commercial feasibility; and
- sufficient resources are available to meet the development costs to either sell or use as an asset.

### OTHER INTANGIBLE ASSETS

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses

## 2.7. IMPAIRMENT OF ASSETS

An assessment is made at each reporting date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in a prior period may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of income in the period in which it arises. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation / amortisation), had no impairment loss been recognised for the asset in a prior period. A reversal of an impairment loss is credited to the statement of income in the period in which it arises.

## 2.8. INVESTMENT PROPERTY

Investment properties are those properties owned by the Group that are held to earn rental income or for capital appreciation or both and are not occupied by the Company or any of its subsidiaries. Historically the LSR's normal valuation policy has been as set out in the following paragraph.

For the Group as a whole Allsop LLP, a firm of independent chartered surveyors valued the Group's property portfolio at 30 September 2018 (subject to the above paragraph), 31 March 2018, 30 September 2017 and 31 March 2017. On each of these dates Allsop LLP performed a full valuation of 25% of the Group's properties (including site inspections) and a desktop valuation of the remainder, such that all properties owned by the Group have been inspected and valued over the two-year period. The valuations, using assumptions regarding yield rates, void levels and comparable market transactions, were undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards on the basis of market value. Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In July 2019 LSR had a full valuation (including site visits) carried out by Allsop LLP on all the properties held at that date. In the light of that recent full valuation, for the September 2019 financial statements LSR had desktop valuations prepared by Allsops for all the properties in the portfolio at that date, except for three properties which were held for sale and were valued at their expected sale price less sales costs. This is considered a level 3 valuation on the fair value hierarchy.

No further valuation was undertaken as at 31 December 2019 as it was not expected to have changed from the 30 September 2019 valuation.

Investment properties are treated as acquired at the point the Group assumes the significant risks and returns of ownership. Subsequent expenditure is charged to the asset's carrying value only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the Income Statement during the period in which they are incurred.

Rental income from investment properties is accounted for as described below. All revenues and direct operating expenses are relating to investment properties.

## 2.9. INVESTMENT PROPERTIES HELD FOR SALE

Investment properties held for sale are included in the Balance Sheet at their fair value less estimated sales costs.. In determining whether assets no longer meet the investment criteria of the Group, consideration has been given to the conditions required under IFRS 5.

An investment property shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable as at the year end.

## 2.10. INVESTMENTS

Available for sale investments are initially measured at cost, including transaction costs. Gains and losses arising from changes in fair value of available for sale investments are recognised at fair value through profit or loss.

## 2.11. REVENUE

Revenue is measured at the fair value of the consideration received or receivable.

In respect of contracts which are long term in nature and contracts for ongoing services, revenue, restricted to the amounts of costs that can be recovered, is recognised according to the value of work performed in the period. Revenue in respect of such contracts is calculated on the basis of time spent on the project and estimated work to completion.

Where the outcome of contracts which are long term in nature and contracts for ongoing services cannot be estimated reliably, revenue is recognised only to the extent of the costs recognised that are recoverable.

Where payments are received in advance in excess of revenue recognised in the period, this is reflected as a liability on the statement of financial position as deferred revenue.

### Rental Income

Rental income from investment properties leased out under operating leases is recognised net of VAT, returns, rebates and discounts in the Income Statement on a straight-line basis over the term of the lease. The directors consider this is in line with when the Company's performance obligations are satisfied. Standard payments terms are that services are paid in advance. When the Group provides lease incentives to its tenants the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction to income.

## 2.12. TAXATION

The Company is incorporated in the BVI as an IBC and as such is not subject to tax in the BVI.

DOA Exploration Ltd and Autonomous Robotics Ltd are incorporated in the UK and are therefore subject to UK tax regulations.

Apeiron AG and id4 AG are incorporated in Switzerland in the canton of Lucern and are subject to Swiss tax regulations.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date. Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the income statement.

Deferred tax is provided in full using the liability method on all timing differences which result in an obligation at the reporting date to pay more tax, or the right to pay less tax, at a future date, at rates that are expected to apply when they crystalise based on current tax rates. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not provided when the amounts involved are not significant.

## 2.13. FOREIGN CURRENCY

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the financial reporting date. Exchange differences arising are included in the statement of income for the period.

DOA Exploration Ltd and Autonomous Robotics Ltd are incorporated in the UK and have a functional currency of GBP. Exchange differences on the retranslation of operations denominated in foreign currencies are included in Other Comprehensive Income.

Year end GBPUSD exchange rate as at 31 Dec 2019: 1.319 (2018:1.275).
Average GBPUSD exchange rate as at 31 Dec 2019: 1.277 (2018:1.335).

Year end EURUSD exchange rate as at 31 Dec 2019: 1.122 (2018:1.147).
Average EURUSD exchange rate as at 31 Dec 2019: 1.120 (2018:1.181).

Year end CHFUSD exchange rate as at 31 Dec 2019: 1.033 (2018:1.017).
Average CHFUSD exchange rate as at 31 Dec 2019: 1.015 (2018:1.011).

## 2.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such a time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period incurred.

## 2.15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument.

**Loans and receivables** are initially measured at fair value and are subsequently measured at amortised cost, plus accrued interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

**Available for sale financial assets** comprise investments which do have a fixed maturity and are classified as non current assets if they are intended to be held for the medium to long term. They are measured at fair value through profit or loss.

**Trade receivables** are initially measured at fair value and are subsequently measured at amortised cost less appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

**Cash and cash equivalents** comprise cash in hand and demand deposits and other short-term highly liquid investments with maturities of three months or less at inception that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Trade payables** are not interest-bearing and are initially valued at their fair value and are subsequently measured at amortised cost.

**Equity instruments** are recorded at fair value, being the proceeds received, net of direct issue costs.

**Share Capital** – Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxation, from the proceeds.

**Treasury shares** – Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Financial instruments require classification of fair value as determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Borrowings** are initially measured at fair value and are subsequently measured at amortised cost, plus accrued interest.

## 2.16. BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the cquire and the equity interests issued by the Group in exchange for control of the cquire. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the cquire, and the fair value of the acquirer's previously held equity interest in the cquire (if any) over the net of the acquisition- date amounts of the identifiable assets acquired and the liabilities assumed.

## 2.17. GOING CONCERN

The financial statements have been prepared on the going concern basis as management consider that the Group will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business. The Group has fully assessed its financial commitments and at the year end had net cash reserves of $16.2m plus a further $4.8m of available for sale investments. The impact of Covid-19 is still uncertain but the management is fully confident that it will be able to mitigate any potential downside from the virus.

In arriving at this conclusion management have prepared cash flow forecasts considering operating cash flows and capital expenditure requirements over the Group, as well as available working capital.

## 2.18. INVESTMENT IN ASSOCIATED ENTITIES

Investments in associates are those over which the Group has significant influence. These are accounted for using the equity method of accounting. Significant influence is considered to be participation in the financial and operating policy decisions of the investee and is usually evidenced when the Group owns between 20% and 50% of that company's voting rights.

Investments in associates are initially recorded at cost and the carrying amount is increased or decreased to recognise the Group's share of the profits or losses of the associate after acquisition. At the date of acquisition any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate is recognised as goodwill. The carrying amount of these investments is reduced to recognise any impairment of the value of the individual investment. If the Group's share of losses exceeds its interest in an associate the carrying value of that investment is reduced to nil and the recognition of any further losses is discontinued unless the Group has an obligation to make further funding contributions to that associate.

The Group's share of associates' post acquisition profits or losses is recognised in profit or loss and the post acquisition movements in other comprehensive income is recognised within other comprehensive income.

## 24. SEGMENT INFORMATION

The Group has one operating segment being rental income from Properties

| | **Total<br>$** | **Sale of Services<br>$** |
|---|---|---|
| Revenue | 170,357 | 170,357 |

Information related to each reportable segment is set out below.

| | **Properties<br>$** | **Other non-reportable segments<br>$** | **Total<br>$** |
|---|---|---|---|
| **Segment income statement** | | | |
| Revenue | 170,357 | - | 170,357 |
| Expenses | (138,479) | (3,794,879) | (3,933,358) |
| Depreciation | | (26,308) | (26,308) |
| **Profit/loss before tax** | **31,878** | **(3,821,187)** | **(3,789,309)** |
| Attributable income tax expense | - | 253,065 | 253,065 |
| **Profit/loss for the year** | **31,878** | **(3,568,122)** | **(3,536,244)** |

| | Properties $ | Other non-reportable segments $ | Total $ |
|---|---|---|---|
| **Segment statement of financial position** | | | |
| Assets | 10,456,812 | 26,698,061 | 37,154,873 |
| Liabilities | 1,205,377 | 8,548,322 | 9,753,699 |
| **Net assets** | **9,251,435** | **18,149,739** | **27,401,174** |
| Shareholders' equity | 9,251,435 | 18,149,739 | 27,401,174 |
| **Total equity** | **9,251,435** | **18,149,739** | **27,401,174** |

The direct expenses arising from investment property that generated rental income during the period was $125,935.

The direct expenses arising from investment property that did not generate rental income during the period was $12,544.

## 4. OPERATING LOSS FOR THE YEAR

The operating profit for the year is stated after charging:

| | 2019 $ | 2018 $ |
|---|---|---|
| Consultancy fees | 1,327,692 | 1,392,144 |
| Wages and salaries | 537,781 | 164,580 |
| Social security costs | 113,148 | 43,825 |
| Pension costs | 52,158 | 8,715 |
| Research and Development | 83,339 | 111,900 |
| Audit fees | 26,966 | 131,866 |
| Legal and professional fees | 220,549 | 570,990 |

Non audit fees paid to Jeffreys Henry were $71,468.

Included within consultancy fees / wages and salaries is $28,858 in relation to amounts accrued for directors' remuneration (2018: $26,494).

## 5. EXCEPTIONAL COSTS

| | 2019 $ | 2018 $ |
|---|---|---|
| **Exceptional costs** | | |
| Thalassa change of listing costs | 198,218 | - |
| LSR acquisition related costs | 646,035 | - |
| New Luxembourg listing costs | 55,038 | - |
| Other non-recurring costs | (413) | - |
| **Total Exceptional costs** | **898,878** | **-** |

## 6. EMPLOYEES

The average number of employees (excluding the Directors) employed by the Group was:-

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Sales | - | 0 |
| Development | 3 | 3 |
| Admin | 4 | 1 |
| | 7 | 4 |

## 7. NET FINANCIAL EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Loan interest receivable | 50,042 | 48,560 |
| Loan interest payable | (9,645) | - |
| Bank interest receivable | 61,741 | 2,220 |
| Bank interest payable | (236,717) | (87,588) |
| Lease liability | (1,670) | - |
| (Surplus)/Loss on property | (2,146) | - |
| Gains/(Losses) on investments | (220,129) | 339,122 |
| Impairment on investments | - | 25,517 |
| Foreign currency gains/(losses) | (281,593) | 142,219 |
| | (640,117) | 470,050 |

## 8. INCOME TAX EXPENSE

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Current tax from continuing operations | (253,065) | (68,015) |
| Current tax from discontinued operations | (478,046) | - |
| **Total Tax** | **(731,111)** | **(68,015)** |

| | | |
|---|---|---|
| | $ | $ |
| Profit/(loss) before tax from continuing operations | (3,789,309) | (6,459,633) |
| Tax at applicable rates | (719,969) | (1,227,330) |
| Losses carried forward | 719,969 | 1,227,330 |
| R&D Tax Credits relating to prior year | (255,366) | (68,015) |
| Overseas tax | 2,301 | |
| **Total Tax on continuing operations** | **(253,065)** | **(68,015)** |

| | | |
|---|---|---|
| | $ | $ |
| Profit before tax from discontinued operations | - | 13,419,475 |
| Tax at applicable rates | - | - |
| Tax relating to earlier years | (478,046) | - |
| **Total Tax on discontinued operations** | **(478,046)** | **-** |

The applicable tax rates in relation to the Group's profits are BVI 0%, UK 19%, Swiss 12.3% and Norway 22% (2018: 0%,19%,12.3% and 23%).

DOA Group Ltd (formerly WGP Group Ltd) won an appeal on tax paid in Norway and the resulting credit is as a result of tax repayments and the release of earlier provisions.

Autonomous Robotics Ltd has unprovided trading losses carried forward of approximately £4.4m available for utilisation against future trading profits.

## 9. EARNINGS PER SHARE

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| The calculation of earnings per share is based on the following loss attributable to ordinary shareholders and number of shares: | | |
| Loss for the year from continuing operations | (3,506,525) | (6,391,618) |
| Profit for the year from discontinued operations | 478,046 | 13,419,475 |
| **Profit for the year** | **(3,028,479)** | **7,027,857** |
| **Weighted average number of shares of the Company** | **17,143,300** | **18,919,049** |
| Earnings per share: | | |
| Basic and Diluted (US$) from continuing operations | (0.20) | (0.34) |
| Basic and Diluted (US$) from discontinued operations | 0.03 | 0.71 |
| Basic and Diluted (US$) | (0.18) | 0.37 |
| **Number of shares outstanding at the period end:** | | |
| **Number of shares in issue** | **17,852,275** | **19,812,640** |
| Issue of new shares | - | - |
| Treasury shares | (1,609,992) | (1,960,365) |
| **Basic number of shares in issue** | **16,242,283** | **17,852,275** |

## 10. LOANS

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| At 1 January | 1,645,260 | 1,596,695 |
| Accrued interest | 50,042 | 48,565 |
| **At 31 December** | **1,695,302** | **1,645,260** |

The Loan is 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.

## 11. BORROWINGS

| Non-current liabilities | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Credit facility | - | - |
| Lease liabilities | 510,965 | - |
| | **510,965** | **-** |

| Current liabilities | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Credit facility | 7,520,244 | - |
| Lease liabilities | 36,999 | - |
| | **7,557,243** | **-** |

In May 2019 the group entered into a fixed-term advance GBP currency denominated credit facility to finance the offer of LSR. The total available amount under the facility is US$18m of which £12.7m was drawn down as at 7 May 2019. The facility was fully repaid on 5 August 2019 and included facility fees and interest p.a. of 1.72%.

In December 2019 the group entered into a fixed-term advance GBP currency denominated credit facility.

The total available amount under the facility is US$18m of which £5.4m and £0.3m were drawn down as at 2 and 3 December 2019 respectively. The facility was fully repaid on 8 January 2019 and included facility fees and interest p.a. of 1.62%.

## 12. RELATED PARTY TRANSACTIONS

Under the consultancy and administrative services agreement entered into on 3 January 2011 with a company in which the Chairman has a beneficial interest, the Group was invoiced $692,000 (2018: $698,000) for consultancy and administrative services provided to the Group. As at 31 December 2019, the amount owed to this company was $152,000 (2018: $303,595).

During the period Graham Cole, non-executive director, invoiced the Group $32,000 of which $nil was owed as at 31 December 2019 (2018: $nil).

During the period David Thomas, non-executive director, invoiced the Group $28,000 of which $nil was owed as at 31 December 2019 (2018: $nil).

Eastleigh Court Limited, a company owned by Thalassa's chairman, Duncan Soukup, invoiced the Group £nil (2018: £nil) in the period. As at 31 December 2019, the amount owed by this company was £nil (2018: £32,169).

Eastleigh Stables Ltd, a company also owned by the Company's chairman invoiced the Group £nil (2018: £nil) during the year. As at 31 December 2019, the balance owed by this company was £nil (2018: £15,776).

## 13. INTANGIBLE ASSETS AND GOODWILL

| | Development costs $ | Patents $ | Sub-total $ | Goodwill $ | Total $ |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Cost | - | - | - | - | - |
| Accumulated amortisation and impairment | - | - | - | - | - |
| **Net book amount** | **-** | **-** | **-** | **-** | **-** |
| **Full-year ended 31 December 2019** | | | | | |
| Opening net book amount | - | - | - | - | - |
| Additions | 135,931 | 37,535 | 173,466 | - | 173,466 |
| Acquisition of subsidiaries | - | - | - | 361,909 | 361,909 |
| Impairment charge | - | - | - | (157,185) | (157,185) |
| **Closing net book amount** | **135,931** | **37,535** | **173,466** | **204,724** | **378,190** |
| **At 31 December 2019** | | | | | |
| Cost | 135,931 | 37,535 | 173,466 | 361,909 | 535,375 |
| Accumulated amortisation and impairment | - | - | - | (157,185) | (157,185) |
| **Net book amount** | **135,931** | **37,535** | **173,466** | **204,724** | **378,190** |

Goodwill relates to the acquisition of the Local Shopping REIT in October 2019 and the acquisition of iD4 Ltd in December 2019.

## 14. PROPERTY, PLANT AND EQUIPMENT

| **Cost** | Total 2019 $ | Land and buildings 2019 $ | Plant and Equipment 2019 $ | Motor Vehicles 2019 $ |
|---|---|---|---|---|
| Cost at 1 January 2019 | 294,428 | - | 145,577 | 148,851 |
| FX movement | 1,271 | - | 1,271 | - |
| | 295,699 | - | 146,848 | 148,851 |
| Adjustment on transition to IFRS16 | 73,249 | 73,249 | - | - |
| Additions | 18,910 | - | 18,910 | - |
| **Cost at 31 December 2019** | **387,858** | **73,249** | **165,758** | **148,851** |
| **Depreciation** | | | | |
| Depreciation at 1 January | 277,625 | - | 128,774 | 148,851 |
| FX movement | 1,559 | 384 | 1,175 | - |
| | 279,184 | 384 | 129,949 | 148,851 |
| Charge for the year on continuing operations | 26,308 | 11,824 | 14,484 | - |
| Reclassification | 6,911 | - | 6,911 | - |
| **Depreciation at 31 December 2019** | **312,403** | **12,208** | **151,344** | **148,851** |
| **Closing net book value at 31 December 2019** | **75,455** | **61,041** | **14,414** | **0,000** |

| Cost | Total 2018 $ | Plant and Equipment 2018 $ | Motor Vehicles 2018 $ | Computer Software 2018 $ |
|---|---|---|---|---|
| Cost at 1 January 2018 | 292,587 | 143,736 | 148,851 | - |
| FX movement | (1,941) | (1,941) | - | - |
| | 290,646 | 141,795 | 148,851 | - |
| Additions | 3,782 | 3,782 | - | - |
| **Cost at 31 December 2018** | **294,428** | **145,577** | **148,851** | **-** |
| **Depreciation** | | | | |
| Depreciation at 1 January | 237,503 | 102,521 | 134,982 | 0,000 |
| FX movement | (1,797) | (1,797) | - | - |
| | 235,706 | 100,724 | 134,982 | 0,000 |
| Charge for the year on continuing operations | 41,919 | 28,050 | 13,869 | - |
| **Depreciation at 31 December 2018** | **277,625** | **128,774** | **148,851** | **0,000** |
| **Closing net book value at 31 December 2018** | **16,803** | **16,803** | **-** | **(0,000)** |

As outlined in note 2.8, an assessment is made at each financial reporting date as to whether there is any indication of impairment of any asset. An impairment review of the Group's equipment has been undertaken, taking into account obsolescence, market conditions, value in use and useful economic life. As a result there has been no impairment charge in 2019 (2018: $nil).

## 15. INVESTMENT PROPERTY

| | Freehold Investment Properties $ | Leasehold Investment Properties $ | Total $ |
|---|---|---|---|
| **At 31 December 2018** | - | - | - |
| Acquisition of subsidiary | 52,738 | 4,085,580 | 4,138,318 |
| **Movement on Investment properties held for sale** | **52,738** | **4,085,580** | **4,138,318** |
| **At 31 December 2019** | **52,738** | **4,085,580** | **4,138,318** |

The investment properties were all revalued to their fair value at 30 September 2019 and it was estimated that no further valuation was necessary as at 31 December 2019.

A reconciliation of the portfolio valuation to the total value given in the Statement of Financial Position for investment properties is as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Portfolio valuation | 4,087,526 | - |
| Investment properties held for sale | (435,383) | - |
| Head leases treated as investment properties held under finance leases per IAS 17 | 486,175 | - |
| **Total per Statement of Financial Position** | **4,138,318** | **-** |

## 16. INVESTMENTS – AVAILABLE FOR SALE FINANCIAL ASSETS

The Group classifies the following financial assets at fair value through profit or loss (FVPL):-

Equity investments that are held for trading.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Available for sale investments | | |
| At the beginning of the period | 787,518 | 740,691 |
| Additions | 11,332,697 | 2,834,106 |
| Unrealised losses | (319,633) | (97,607) |
| Disposals | (6,999,132) | (2,689,672) |
| **At 31 December** | **4,801,450** | **787,518** |

AFS investments have been valued incorporating Level 1 inputs in accordance with IFRS7.

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVPL include the following:-

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Non current assets | | |
| Available for sale financial assets | 4,801,450 | 834,345 |
| Investments in associated entities | - | 6,727,670 |
| **At 31 December** | **4,801,450** | **7,562,015** |

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Amounts recognised in profit or loss:- | | |
| Available for sale financial assets | (200,823) | 233,025 |
| Investments in associated entities | (629,523) | (2,353,182) |
| | **(830,346)** | **(2,120,157)** |

## 18. LEASES

### 18.1 Leases as lessee

Thalassa's subsidiary, Autonomous Robotics Ltd, entered into a lease for the rent of the top floor of Eastleigh Court near Warminster for £10,000 per annum. However, the rent is being accrued and will only become payable upon successful completion of the fund raising exercise.

Previously, this lease was classified as an operating lease under IAS 17.

### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 14)

| | Land and buildings $ |
|---|---|
| Balance at 1 January 2019 | - |
| Transition to right-of-use assets | 73,249 |
| Depreciation charge for the year | (12,208) |
| **Balance at 31 December 2019** | **61,041** |

### Amounts recognised in profit or loss

| | Total $ |
|---|---|
| **2019 – Leases under IFRS 16** | |
| Interest on lease liabilities | (1,670) |
| Expenses related to short-term leases | (313,148) |
| **2018 – Operating leases under IAS 17** | |
| Lease expense | (350,674) |

### 18.2 Leases as lessor

The investment properties are let under operating leases. Future minimum lease payments receivable by the Group under non-cancellable operating leases are receivable as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Less than one year | 448,914 | - |
| Between one and five years | 1,087,407 | - |
| More than five years | 698,921 | - |
| **Balance at 31 December 2019** | **2,235,242** | **-** |

## 19. TRADE AND OTHER RECEIVABLES

| | 2019 $ | 2018 $ |
|---|---|---|
| Trade receivables | 391,115 | 2,900 |
| Trade receivables net | 391,115 | 2,900 |
| Other receivables | 661,093 | 5,972,320 |
| Corporation tax | 119,676 | - |
| Prepayments | 260,147 | 119,982 |
| **Total trade and other receivables** | **1,432,031** | **6,095,202** |

The Directors consider that the carrying value of trade and other receivables approximate to their fair value.

## 20. TRADE AND OTHER PAYABLES

| | 2019 $ | 2018 $ |
|---|---|---|
| Trade payables | 426,311 | 524,855 |
| Other payables | 539,054 | 31,942 |
| Corporation tax | - | 93,458 |
| Accruals | 720,126 | 1,506,437 |
| **Total trade and other payables** | **1,685,491** | **2,156,692** |

## 21. SHARE CAPITAL

| | As at 31 Dec 2019 $ | As at 31 Dec 2018 $ |
|---|---|---|
| Authorised share capital: | | |
| 100,000,000 ordinary shares of $0.01 each | 1,000,000 | 1,000,000 |
| Allotted, issued and fully paid: | | |
| 25,567,522 ordinary shares of $0.01 each | 255,675 | 255,675 |

| | Number of shares | Number of Treasury shares | Treasury shares $ |
|---|---|---|---|
| Balance at 31 December 2018 | 17,852,275 | 7,715,247 | 7,337,959 |
| Issue of new shares | | - | - |
| Shares purchased | (1,609,992) | 1,609,992 | 1,352,506 |
| **Balance at 31 December 2019** | **16,242,283** | **9,325,239** | **8,690,465** |

Share capital represents 16,242,283 ordinary shares of $ 0.01 each.

On 30 September 2018 the Company issued one preference share for each ordinary share held at that date. The terms of each preference share were, they were of nil value, unquoted, non-transferable and without any shareholder rights other than so as to provide the shareholder holding such Preference shares with 10 votes per share in addition to their existing one vote per ordinary share. In total 18,574,775 preference shares were issued on 30 September 2018.

Following the lapse of Thalassa's offer for LSR the Board announced on 3 May 2019 that all outstanding preference shares were cancelled.

Treasury shares represents the cost of the Company buying back its shares. There were 9,325,239 shares held in Treasury as at 31 December 2019 (2018: 7,715,247 shares) which comprised 36.5% of the total issued share capital (2018: 30.2%). In total 1,609,992 of its shares were purchased in 2019 (2018: 1,960,365 shares).

Under the Company's memorandum of association, the Company is authorised to issue 200,000,000 shares divided into 100,000,000 ordinary shares and 100,000,000 preference shares. Under the Company's articles of association, the Board is authorised to offer, allot, grant options over or otherwise dispose of any unissued shares. Furthermore, the Directors are authorised to purchase, redeem or otherwise acquire any of the Company's own shares for such consideration as they consider fit, and either cancel or hold such shares as treasury shares. The directors may dispose of any shares held as treasury shares on such terms and conditions as they may from time to time determine. Further, the Company may redeem its own shares for such amount, at such times and on such notice as the directors may determine, provided that any such redemption is pro rata to each shareholders' then percentage holding in the Company.

## 22. CAPITAL MANAGEMENT

The Group's capital comprises ordinary share capital, retained earnings and capital reserves. The Group's objectives when managing capital are to provide an optimum return to shareholders over the short to medium term through capital growth and income whilst ensuring the protection of its assets by minimising risk. The Group seeks to achieve its objectives by having available sufficient cash resources to meet capital expenditure and ongoing commitments.

At 31 December 2019, the Group had capital of $27,401,173 (2018: $30,486,133). The Group does not have any externally imposed capital requirements.

## 23. INVESTMENT IN SUBSIDIARIES

Details of the Company's subsidiaries at the year end are as follows:

| Name of subsidiary | Place of incorporation | Effective Share holding 2019 | 2018 |
|---|---|---|---|
| DOA Alpha Ltd (formerlyWGP Group Ltd) | British Virgin Islands | 100% | 100% |
| DOA Beta Ltd (formerly WGP Energy Services Ltd) struck off 01/05/19 | British Virgin Islands | 100% | 100% |
| DOA Exploration Ltd (formerly WGP Exploration Ltd) | United Kingdom | 100% | 100% |
| WGP Technical Services Ltd – struck off 1/11/18 | British Virgin Islands | 100% | 100% |
| DOA Gamma Ltd (formerly WGP Professional Services Ltd) | British Virgin Islands | 100% | 100% |
| DOA Delta Ltd (formerly WGP Survey Ltd) | British Virgin Islands | 100% | 100% |
| Apeiron Holdings (BVI) Ltd (formerly Autonomous Holdings Ltd) | British Virgin Islands | 100% | 100% |
| Autonomous Robotics Ltd | United Kingdom | 100% | 100% |
| WGP Geosolutions Limited | Cyprus | 100% | 100% |
| WGP Group AT GmbH | Austria | 100% | 100% |
| Anemoi S.A. | Luxembourg | 100% | 100% |
| Apeiron Holdings A.G. | Switzerland | 84% | 100% |
| id4 AG | Switzerland | 84% | 0% |
| The Local Shopping REIT | United Kingdom | 93% | 0% |
| NOS 4 Ltd | United Kingdom | 93% | 0% |
| NOS 5 Ltd | United Kingdom | 93% | 0% |
| NOS 6 Ltd | United Kingdom | 93% | 0% |
| NOS 7 Ltd | United Kingdom | 93% | 0% |
| Gilfin | United Kingdom | 93% | 0% |

## 24. ASSOCIATED ENTITIES

On 4th October 2019, Thalassa Holdings Ltd increased its investment in LSR from 25% to 93% through the share buy back scheme.

The Group's associated entity for LSR was disposed of during the year.

Movement on interests in associates can be summarised as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Cost as at 1 January | 6,727,670 | 9,065,888 |
| Additions | - | 14,964 |
| Share of post-acquisition profits less losses | (629,523) | (2,353,182) |
| Disposal | (6,098,147) | - |
| | **-** | **6,727,670** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

The following summarises the financial information relating to associates, not adjusted for the proportion of ownership

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Assets - non-current | 3,139 | - |
| Assets - current | 4,621 | 29,950 |
| **Total** | **7,760** | **29,950** |
| Liabilities - non-current | (350) | - |
| Liabilities - current | (418) | (2,217) |
| **Total** | **(768)** | **(2,217)** |
| Revenue | 764 | 3,381 |
| Expenses | (2,638) | (10,535) |
| **Profit/Loss for the year** | **(1,874)** | **(7,154)** |

There are no other entities in which the Group holds 20% or more of the equity, or otherwise exercises significant influence over the affairs of the entity. The associated entity has a reporting date of 30 September.

## 25. DISCONTINUED OPERATIONS

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Analysis of profit for the year from discontinued operations** | | |
| Revenue | - | - |
| Expenses | - | - |
| **Profit before tax** | **-** | **-** |
| Attributable income tax expense | 478,046 | - |
| **Profit for the year from discontinued operations** | **478,046** | **-** |
| Proceeds | - | 26,075,000 |
| Total WGP assets | - | (10,155,525) |
| WGP working capital | - | (2,500,000) |
| **Gain on disposal of WGP assets** | **-** | **13,419,475** |

The Company sold the business and the assets of the DOA Alpha Group (formerly WGP Group) to Fairfield Industries Incorporated, doing business as FairfieldNodal, Inc. ("FFN") and the sale was completed on 1 January 2018. WGP Group Ltd was the owner of the seismic operating assets and business of the Group and has the following subsidiaries:-

- DOA Beta ltd (formerly WGP Energy Services Ltd)
- DOA Exploration Ltd (formerly WGP Exploration Ltd)
- DOA Gamma Ltd (formerly WGP Professional Services Ltd)
- DOA Delta (formerly WGP Survey Ltd)

The net sales proceeds of $7.4m was paid in January 2018 and a further $6.0m became payable under the earn out agreement. $1.2m of the earn out was paid in November 2018 with the balance of £4.8m paid in November 2019.

## 26. ACQUISITION OF SUBSIDIARIES

On 4 October 2019 Thalassa Holdings acquired an additional 68% of the issued shares in LSR through the share buy back scheme, increasing its ownership from 25% to 93%.

On 12 December 2019 Apeiron AG acquired 100% of the issued shares in id4, which included the sale/disposal of 16% ownership in Apeiron AG from Apeiron BVI, decreasing ownership from 100% to 84%.

Details of the purchase consideration and the net assets acquired are as follows:

| | LSR<br>$ | id4<br>$ |
|---|---|---|
| Purchase consideration | | |
| Cash paid | - | 117,118 |
| Equity instruments | - | 55,102 |
| Share buy back scheme | 8,683,346 | - |
| **Total purchase consideration** | **8,683,346** | **172,220** |

### IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

| | LSR<br>$ | id4<br>$ |
|---|---|---|
| Property, plant and equipment | 4,138,318 | - |
| Intangible assets | - | 68,330 |
| Trade and other receivables | 1,390,287 | 26,869 |
| Cash and cash equivalents | 4,701,487 | 171,332 |
| Trade and other payables | (550,643) | (92,349) |
| Loans and borrowings | (460,926) | (206,686) |
| **Net assets classified as held for sale** | **9,218,523** | **(32,504)** |
| Less: non-controlling interest | (692,362) | - |
| Add: goodwill | 157,185 | 204,724 |
| | **8,683,346** | **172,220** |

The goodwill arising from the acquisition of LSR has been fully impaired at the year end due to the trading loss it has realised.

The goodwill arising from the acquisition of iD4 is supported by the synergies to be realised from the Group and increased financial resources for the ongoing development and marketing of its products.

At the acquisition date all of the contractual cash flows are expected to be collected as all impairments are included in the balance of trade and other receivables.

The id4 share arrangement required the group dispose 16% of Apeiron AG issued shares to the former owners of id4.

| | LSR<br>$ | id4<br>$ |
|---|---|---|
| **Analysis of profit or loss since acquisition** | | |
| Revenue | 170,357 | - |
| Expenses | (138,479) | (168,224) |
| **Profit/loss before tax** | **31,878** | **(168,224)** |
| Attributable income tax expense | - | - |
| **Profit/loss for the year since acquisition** | **31,878** | **(168,224)** |

For the 3 months ended 31 December 2019, LSR contributed revenue of $170,357 and profit of $31,878 to the Group's results.

For the period since acquisition in December to 31 December 2019, id4 contributed zero revenue and a loss of $168,224 to the Group's results.

If both acquisitions had occurred on 1 January 2019, management estimates that consolidated revenue would have been increased by $0.9m, and the consolidated loss for the year would have been increased by $4.9m.

## 27. ACQUISITION OF NON CONTROLLING INTEREST

In October 2019, the Group acquired an additional 68% interest in The Local Shopping REIT, increasing its ownership from 25% to 93%. The fair value amount of LSR's investment in the Group's consolidated financial statements on the date of the acquisition was $9.38 million.

In December 2019, the Group acquired a 100% interest in id4, which included the sale of 16% of ownership in Apeiron AG, decreasing ownership from 100% to 84%.

| | LSR<br>$ | id4<br>$ | Total<br>$ |
|---|---|---|---|
| Carrying amount of NCI acquired | 692,362 | - | 692,362 |
| Change in carrying amount of NCI on disposal | - | (33,970) | (33,970) |
| Change in retained earnings on disposal | - | 89,072 | 89,072 |
| **A decrease in equity attributable to owners of the Company** | **692,362** | **55,102** | **747,464** |

## 28. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and cash equivalents together with various items such as trade and other receivables and trade payables etc, that arise directly from its operations. The fair value of the financial assets and liabilities approximates the carrying values disclosed in the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

### INTEREST RATE RISK

The Group does not undertake any hedging against interest rate risk. The Group finances its operations from the cash balances on the current and deposit accounts. The Group had total borrowings of $8.1m as at 31 December 2019 (2018: nil).

### Interest rate sensitivity

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term credit facilities.

The impact of changes in interest rates on the cost is as follows:

| **For the year ended December 31, 2019** | **Change in interest rate cost $000** |
|---|---|
| Interest rate translations of: | |
| +10 basis points | 5 |
| -10 basis points | (5) |
| +100 basis points | 45 |
| -100 basis points | (45) |

### FOREIGN EXCHANGE RISK

The Group undertakes FOREX and asset risk management activities from time to time to mitigate foreign exchange risk.

An increase in foreign exchange rates of 5% at 31 December 2019 would have increased the profit and net assets by $709,525 (2018: $245,059). A decrease of 5% would have had an equal and opposite impact. The majority of the Group's balances are held in USD. As 31 December 2019 approximately 35% (2018: 42%) of amounts owing to suppliers are held in GBP, 21% in CHF (2018: 0%) and 9% in EUR (2018: 0%).

### CREDIT RISK

Group credit risk is predominantly a matter of individual corporate risk. However, Group companies also operate in frontier and challenging regions which has the potential to add risk and uncertainty both from an operational and financial point of view. Whenever and wherever possible the Group attempts to mitigate this risk.

In line with other international companies, the Group is exposed to geopolitical risks and the possibility of sanctions which could adversely affect our ability to perform operations or collect receivables from our clients. This risk is un-insurable and un-hedgeable.

### LIQUIDITY RISK

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. All financial liabilities are generally payable within 30 days and do not attract any other contractual cash flows. Based on current forecasts the Group has sufficient cash to meet future obligations.

## 29. SUBSEQUENT EVENTS

In January 2020 Thalassa announced it had entered into a loan contract with Gitone Beteiligungsverwaltungs GmbH (Gitone) to lend €11 million through two tranches of €5.5m. Gitone is a company established in Croatia for the purpose of purchasing shares in Liburnia Riviera Hoteli d.d. and other hospitality investments. The first tranche of €5.5m was paid in January 2020.

In May 2020 Thalassa announced it had renegotiated the loan contract with Gitone to reduce the loan to the first tranche of €5.5m.

In May Thalassa also set up Anemoi International Ltd, a company incorporated in the British Virgin Islands.

## 30. COPIES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are available on the Company's website: www.thalassaholdingsltd.com.

## 31. CONTROLLING PARTIES

There is no one controlling party.

# NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING (the "Meeting") of Thalassa Holdings Ltd (the "Company") will be held at the Hotel Ambasador, Opatija, Croatia on 15 July 2020 at 11:00 am for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

1. To receive and consider the financial statements for the year to 31 December 2019 together with the reports of the directors and the auditors thereon.
2. To authorise the Directors to appoint auditors of the Company for the year ending 31 December 2020 and to authorise the Directors to determine the auditor's remuneration.
3. To re-elect Duncan Soukup as a Director of the Company, who is retiring and offering himself for re-election.
4. To re-elect Graham Cole as a Director of the Company, who is retiring and offering himself for re-election.
5. To re-elect David Thomas as a Director of the Company, who is retiring and offering himself for re-election.
6. To re-elect Martyn Porter as a Director of the Company, who is retiring and offering himself for re-election.
7. To amend the articles of association of the Company by inserting new articles 4, 5, 6 and 7 ("Shares and Variation of Rights"), new article 19 ("Transfer of Shares"), new article 46 ("Proceedings at General Meetings"), new article 64 ("Directors"), new articles 73, 74, 75 and 76 ("Officers and Agents") and amendments to other articles arising as a consequence of such insertions.

Dated 26 June 2020

By Order of the Board

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not also be a Member of the Company
2. To appoint a proxy, you should complete the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid the Form of Proxy together with the power of attorney or other authority (if any) under which it is signed must be completed and returned by post or by hand to the Company's Registrar, Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time fixed for the Meeting or any adjourned meeting. You may also appoint a proxy at www.signalshares.com instead of using this form.
3. In the case of joint holders, if two or more persons hold shares jointly each of them may be present in person or by proxy at the Meeting and may speak as a shareholder; if only one of the joint owners is present in person or by proxy, he may vote on behalf of all joint owners; and if two or more are present in person or by proxy they must vote as one.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the annual general meeting to be held on the time and date set out at the top of the notice and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID : RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

# DIRECTORS, SECRETARY AND ADVISERS

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| **Directors** | C Duncan Soukup, Chairman<br>Graham Cole FCA, FCISI, Director<br>David M Thomas, Director<br>Martyn Porter, Director |
| **Registered Office** | Folio Chambers<br>P.O. Box 800, Road Town, Tortola,<br>British Virgin Islands |
| **Company Secretary** | Charles Groves |
| **Broker** | WH Ireland Limited<br>24 Martin Lane London EC4R 0DR |
| **Solicitors to the Company (as to English Law)** | Locke Lord (UK) LLP<br>201 Bishopsgate, London EC2M 3AB |
| **Solicitors to the Company (as to BVI Law)** | Conyers Dill & Pearman<br>Romasco Place, Wickhams Cay 1 PO Box 3140<br>Road Town, Tortola<br>British Virgin Islands VG1110 |
| **Auditors** | Jeffreys Henry LLP<br>Finsgate 5-7 Cranwood Street<br>London EC1V 9EE |
| **Registrars** | Link Market Services 12 Castle Street<br>St Helier Jersey JE2 3RT |
| **Company websites** | www.thalassaholdingsltd.com<br>www.autonomousroboticsltd.com<br>www.localshoppingreit.com<br>www.id4bank.ch |


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