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31 December 2009

SALLIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1903/001879/06)

JSE share code: SAL ISIN: ZAE000022588

("Sallies" or "the company" or "the group")

CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

			Six months ended	Six months ended	Year ended
31 December	31 December	30 June	2009	2008	2009
		%	Not reviewed	Reviewed	Audited
R`000		Change	44 582	149 608	251 928
Revenue - mining		(70)	44 582	149 608	251 928
Net foreign exchange (losses)/gains		68	(1 207)	(3 782)	(9 259)
Cost of sales		56	(43 548)	(99 334)	(144 406)
(Loss)/Profit from mining activities		(100)	(174)	46 492	98 263
Less: Depreciation		(156)	(8 750)	(3 416)	(16 862)
Amortisation of mineral rights		100	-	(1 053)	(1 850)
Operating (loss)/profit from mining		(121)	(8 924)	42 023	79 551
Profit on disposal of plant, property and equipment		-	130	-	257
Administrative expenses		33	(10 984)	(16 431)	(27 650)
Investment income		(80)	84	425	1 087
Finance costs on borrowings		53	(445)	(951)	(1 654)
Interest on convertible debentures		2	(3 648)	(3 709)	(7 207)
(Loss)/Profit before Honeywell, share-based payments and Buffalo impairment		(211)	(23 786)	21 357	44 384
Honeywell settlement award provision		-	-	-	(9 626)
Honeywell award interest provision		-	(235)	-	(1 658)
Notional interest on convertible debentures		7	(1 389)	(1 495)	(2 892)
Share based payments (Loss)/Profit before Buffalo impairment		70	(2 078)	(6 853)	(8 779)
Buffalo impairment		(311)	(27 488)	13 009	21 429
Buffalo impairment			-	(74 592)	(74 592)
Net loss before and after taxation		55	(27 488)	(61 583)	(53 163)
Other comprehensive loss items		-	-	-	-
Total comprehensive loss for the period		55	(27 488)	(61 583)	(53 163)
Issued shares (000)			642 220	642 220	642 220
Weighted average shares issued (000)			642 220	639 255	640 725
Weighted average shares issued for diluted earnings per share (000)			642 220	639 255	640 725
RECONCILIATION OF EARNINGS					
Net (loss) attributable to ordinary shareholders for basic earnings per share		55	(27 488)	(61 583)	(53 163)
Gain on disposal of plant and equipment		-	(130)	-	(257)
Impact of the impairment of Buffalo fixed assets			-	68 072	68 072
Net (loss)/profit attributable to ordinary		(526)	(27 618)	6 489	14 652

shareholders for headline earnings per share				
PER SHARE (cents)				
Loss per share (cents)	56	(4,3)	(9,6)	(8,3)
Diluted loss per share (cents)	56	(4,3)	(9,6)	(8,3)
Headline (loss)/profit per share (cents)	(524)	(4,3)	1,0	2,3
Diluted headline (loss)/profit per share (cents)	(524)	(4,3)	1,0	2,3

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

debentures			Portion of convertible
	Share	Share	deemed to
R`000	capital	premium	be equity
Balance at 30 June 2008	635	280 418	17 960
Share based payments			
Shares issued	7	2 870	
Loss for period			
Balance at 31 December 2008	642	283 288	17 960
Debentures converted to shares		858	(858)
Share based payments			
Profit for period			
Balance at 30 June 2009	642	284 146	17 102
Options granted			
Loss for period			
Balance at 30 December 2009	642	284 146	17 102
Share			
	based	Accumu-	
R`000	pay- ment reserve	lated loss	Total
Balance at 30 June 2008	11 191	(169 419)	140 785
Share based payments	6 853		6 853
Shares issued			2 877
Loss for period		(61 583)	(61 583)
Balance at 31 December 2008	18 044	(231 002)	88 932
Debentures converted to shares			-
Share based payments	1 937		1 937
Profit for period		8 420	8 420
Balance at 30 June 2009	19 981	(222 582)	99 289
Options granted	2 078		2 078
Loss for period		(27 488)	(27 488)
Balance at 30 December 2009	22 059	(250 070)	73 879

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December	31 December	30 June
2009	2008	2009	
R`000	Not reviewed	Reviewed	Audited
ASSETS			
Non-current assets	93 621	101 445	104 292
Investment properties	3 133	3 167	3 167
Restricted investment	2 226	2 064	1 932
Property, plant and equipment	78 087	86 039	89 018
Goodwill	10 175	10 175	10 175
Current assets	82 376	97 494	114 546
Inventories	42 658	42 678	64 022
Accounts receivable - trade	3 557	30 856	4 684
Accounts receivable - other	4 766	9 146	8 290
Taxation pre-paid	2 789	2 789	2 789
Cash and cash equivalents	28 606	12 025	34 761
Total assets	175 997	198 939	218 838
EQUITY AND LIABILITIES			
Capital and reserves	73 879	88 932	99 288
Share capital and premium	284 788	284 788	284 787
Portion of convertible debentures deemed to be equity	17 102	17 102	17 102
Share based payment reserve	22 059	18 044	19 981
Accumulated loss	(250 070)	(231 002)	(222 582)
Non-current liabilities	81 607	83 553	81 148
Long-term loan	2 576	5 446	3 926
Provision for environmental rehabilitation	19 611	21 474	19 192

Portion of convertible debentures deemed to be debt	59 420	56 633	58 030
Current liabilities	20 511	26 454	38 402
Trade and other payables	17 522	21 665	30 642
Bank overdraft	-	-	3 730
Current portion of long-term liabilities	2 989	4 789	4 030
Total equity and liabilities	175 997	198 939	218 838
Current asset/current liability ratio	4,0	3,7	3,0
Net asset value per share (cents)	11,5	13,8	15,5

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	Six months ended	Year ended
	31 December 2009	31 December 2008	30 June 2009
	Not reviewed	Reviewed	Audited
R`000			
Net cash (outflows)/inflows from operating activities	(1 988)	6 552	39 802
Net cash inflows/(outflows) from investing activities	1 954	(17 589)	(29 556)
Net cash (outflows) from financing activities	(2 392)	(2 317)	(4 595)
Net (increase)/decrease in cash and cash equivalents	(2 425)	(13 354)	5 651
Cash and cash equivalents at beginning of period	31 031	25 380	25 380
Cash and cash equivalents at end of period	28 606	12 026	31 031

## ABBREVIATED SEGMENTAL ANALYSIS

R`000	Witkop	Buffalo	Other	Group
Six months ended 31 December 2008				
Revenue	136 845	12 763	-	149 608
Profit/(loss)	32 425	(76 421)	(17 587)	(61 583)
Total assets	152 901	11 448	34 590	198 939
Total liabilities	(35 338)	(12 606)	(62 063)	(110 007)
Year ended 30 June 2009				
Revenue	235 036	16 892	-	251 928
Profit/(loss)	61 580	(77 688)	(37 055)	(53 163)
Total assets	204 557	6 345	7 936	218 838
Total liabilities	(33 436)	(11 563)	(74 548)	(119 550)
Six months ended 31 December 2009				
Revenue	41 432	3 150	-	44 582
(Loss)	(15 960)	(958)	(10 570)	(27 488)
Total assets	163 289	4 549	8 159	175 997
Total liabilities	(16 046)	(11 915)	(74 157)	(102 118)

## IAS 1

Presentation of Financial Statements as amended has been adopted by the company for the first time. The adoption only resulted in changes in disclosure.

## COMMENTARY FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

## ANALYSIS OF RESULTS

Sallies incurred a loss of ZAR8,9 million from mining activities for the six months to December 2009 compared to a profit of ZAR42 million for the same period last year. Turnover decreased from ZAR149,6 million for the six months to December 2008 to ZAR44,6 million for the six months to December 2009.

## OPERATIONS

Demand for acid grade fluorspar has collapsed and despite concerted efforts by management and its marketing agent, future orders have not been secured.

Consequently, as announced in June 2009, the company decided to mothball its Witkop Fluorspar Mine ("Witkop"). Both of the company's mines are now on care and maintenance, Buffalo Fluorspar Mine ("Buffalo") having been mothballed in October 2008. Witkop had produced sufficient fluorspar prior to mothballing to honour its export sale contracts for the six months ended 31 December 2009 and the final export sale contract was fulfilled in February 2010.

In order to have the necessary capacity to recommission the mines, key staff were retained at Witkop and the production facilities are being maintained in anticipation thereof. Some exploration drilling was completed during the six months under review and once the sampling and analysis is complete the current geological model will be updated for Witkop.

The company is delighted to record that no disabling or fatal accidents occurred during this review period.

## MINERAL RESERVES AND RESOURCES

The work to revise the mineral reserves and resources as tabled in the 2009 annual financial statements as a Canadian compliant Resource and Reserve

Statement compliant with NI 43 - 101 is ongoing and shareholders will be informed as soon as the work has been completed.

The initial work performed on the preparation of the NI 43 - 101 compliant resource statement has indicated a possible reduction in the mineral resources disclosed in the 2009 annual financial statements. The downward adjustment is unlikely to have a material impact on the normal commercial operation of the company in the medium term.

#### NEGOTIATIONS WITH BEE PARTNER

In the 2009 Annual Report it was noted that some shortcomings had been identified in the structure of the transaction between Sallies and African Renaissance Investments (Pty) Limited ("BEE Partner") and discussions to restructure the transaction are in progress. These discussions are ongoing.

#### OUTLOOK

Hydrofluoric acid ("HF") cannot be produced without acid grade fluorspar. This acid is feedstock principally for the production of refrigerant gases (which drive fridges, freezers and air conditioners) and aluminium tri-fluoride (without which aluminium cannot be cost effectively produced). HF is also vital for other small, but rapidly growing niche markets.

Witkop has a large mineral resource of high quality (albeit low grade) fluorspar and a strong reputation amongst a broad, international client base, as a reliable business partner.

The hard rock resources at both Witkop and Buffalo are still uneconomical at today's price/cost ratio. However, research into reducing the phosphorus content in the final product from the Buffalo tailings dams continues.

The future of Sallies is closely aligned to that of the world economy. Acid grade fluorspar pricing has begun to recover but is still not at a level that justifies placing the mines back into production. Not only do prices need to recover further but the continuing strength of the South African Rand against particularly the United States Dollar is a further reason for not recommissioning the mines in the foreseeable future.

The company is cost conscious and a cash conservation strategy continues to be followed. At the current level of care and maintenance expenditure, the company will require to be recapitalised by August 2010 and will require funds of about ZAR40 million in order to recommission the Witkop mine.

#### HONEYWELL

Honeywell International Inc ("Honeywell") claimed an amount of USD6 847 305 from Sallies and its subsidiary, Witkop, for damages as a result of breach of contract. Sallies and Witkop counterclaimed an amount of USD1 067 327 from Honeywell for payment of materials delivered to Honeywell as well as USD2 027 797 for under-payments made by Honeywell for materials delivered to Honeywell. On 3 April 2009 the International Chamber of Commerce International Court of Arbitration ("the Arbitral Tribunal") ruled that:

- Sallies and Witkop are to pay to Honeywell an amount totalling USD1 243 824 plus interest at 5 per cent per annum since 19 January 2006 until full payment;
- the counterclaim of USD3 095 119 by Sallies and Witkop be dismissed; and
- each party is to bear its own legal and other costs, ("the Award").

The amount awarded to Honeywell is 18% of the amount originally claimed.

On 19 May 2009, Sallies and Witkop requested the Federal Supreme Court of Switzerland to:

- set aside the Award which would have the effect that the case would be sent back to the Arbitral Tribunal for assessment; and
- instruct the Arbitral Tribunal to reject Honeywell's claim and approve the counterclaim of Sallies and Witkop.

During December 2009 the Federal Supreme Court of Switzerland rejected the request by Sallies and Witkop.

Sallies accounted for its own expense in relation to the proceedings as these were incurred. Full provision has been made for the USD1 243 824 Award and the interest thereon until 31 December 2009.

South African regulatory and procedural requirements must be met before payment is made.

#### SOUTH AFRICAN REVENUE SERVICES

Witkop Fluorspar Mine (Pty) Limited is currently involved in disputes with the SARS regarding the 2000 to 2003 years of assessment. SARS has disallowed the deduction of certain intercompany expenditure and rejected the timing of revenue recognised.

If Witkop is successful in the disputes, provisional payments amounting to R6,7 million (excluding interest) will be refunded to the group. If unsuccessful in all of the disputes, the total amount payable by Witkop will amount to approximately R0,7 million (excluding interest). Taxation pre-paid of R2 789 000 is currently carried in the consolidated balance sheet of Sallies.

Discussions to resolve the disputes with SARS are ongoing.

#### BASIS OF PREPARATION

The interim report is prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 Interim Financial Reporting, the South African Companies Act and the Listings Requirements of the JSE Limited. The interim results incorporate accounting policies that are consistent with those used in preparing the financial results for the year ended 30 June 2009. These

results have been neither reviewed nor audited by the company's auditors.

#### BOARD OF DIRECTORS

SP (Stephen) Morris and PR (Patrick) Cooke were appointed non-executive directors on 18 August 2009. Dr FJP (Fred) Roux and Mr DGJ (Dennis) Kerrison (non-executive Chairman and non-executive director, respectively) were removed from the board by shareholders' resolution on 22 October 2009. Messrs N (Nicholas) Davidoff and A (Andrew) Kamau were appointed non-executive directors and Messrs TG (Tom) Dale and Mr BE (Barnie) Esterhuizen (Chief Executive Officer and non-executive director, respectively) resigned as directors on the same day. Nicholas was subsequently appointed Chairman of the board. Patrick Cooke was appointed Financial Director on the resignation of J (Johann) Blersch with effect from 31 January 2010.

#### DIVIDENDS

No interim dividend has been declared for the period.

By order of the board

Nicholas Davidoff

Non-executive Chairman

Johannesburg

3 March 2010

Directors:

Nicholas Davidoff (Chairman)\*

Andrew Kamau\*^

Johann Blersch (resigned 31 January 2010)

J?rgen K?gl\*

Patrick Cooke (Financial Director and COO)

Sandile Swana\*^

Stephen Morris\*^

\* Non-executive

^ Independent

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(PO Box 95436, Waterkloof, 0145)

Transfer secretaries:

Computershare Investor Services (Proprietary) Limited

70 Marshall Street, Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

Sponsor:

Bridge Capital Advisors (Proprietary) Limited

2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo, 2196

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