

PSV HOLDINGS LIMITED

Incorporated in the Republic of South Africa (Registration number 1988/004365/06)

JSE code: PSV ISIN: ZAE00078705 ("PSV" or "the Company" or "the Group")

PSV

PSV HOLDINGS LIMITED

Unaudited Condensed Financial Results

for the six months ended 31 August 2011

Condensed consolidated statement of comprehensive income

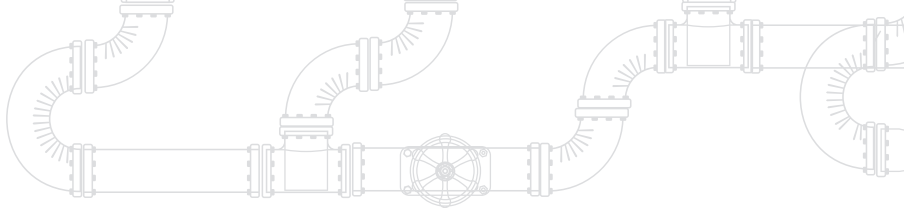
for the period ended 31 August 2011

	Unaudited for the six months ended 31 August 2011 R'000	Restated unaudited for the six months ended 31 August 2010 R'000	Audited for the 12 months ended 28 February 2011 R'000
Revenue	194 998	157 513	314 419
Gross profit	44 476	33 126	59 406
Operating expenses	(38 535)	(31 050)	(62 436)
Operating profit/(loss)	5 941	2 076	(3 030)
Net finance charges*	(6 026)	(3 665)	(8 069)
Net exchange profit/(loss)	1 069	(783)	50
Profit/(Loss) before taxation	984	(2 372)	(11 049)
Taxation	409	643	(131)
Total income/(loss) for the period from continuing operations	1 393	(1 729)	(11 180)
Discontinued operations	889	5 409	2 874
Total profit/(loss) for the period	2 282	3 680	(8 306)
Other comprehensive income			
Foreign currency translation gain	305	–	–
Total comprehensive income for the period	2 587	3 680	(8 306)
Reconciliation of headline earnings/(loss)			
Profit/(Loss) attributable to PSV equity holders	2 282	3 680	(8 306)
(Profit)/Loss on disposal of fixed assets	(775)	(462)	(520)
Impairment of non-current assets	–	–	998
Headline earnings/(loss)	1 507	3 218	(7 828)
Headline earnings/(loss) – continuing operations	619	(2 191)	(10 702)
Reconciliation of normalised earnings/(loss)			
Headline earnings/(loss)	1 507	3 218	(7 828)
Interest on deferred purchase consideration payable	841	627	950
Amortisation of specific intangibles	1 450	1 442	2 921
Deferred taxation provided on above	(406)	(425)	(818)
Straight lining of leases	875	(8)	146
Share based payments	22	570	834
Normalised earnings/(loss)	4 289	5 424	(3 795)
Normalised earnings/(loss) from continuing operations	3 401	15	(6 669)
Basic earnings/(loss) per share (cents)	0,92	1,48	(3,36)
Basic earnings/(loss) per share (cents) from continuing operations	0,56	(0,70)	(4,52)
Headline earnings/(loss) per share (cents)	0,61	1,30	(3,17)
Headline earnings/(loss) per share (cents) from continuing operations	0,25	(0,88)	(4,33)
Normalised earnings/(loss) per share (cents)	1,73	2,19	(1,54)
Normalised earnings/(loss) per share (cents) from continuing operations	1,38	0,01	(2,70)
Diluted earnings/(loss) per share (cents)	0,91	1,45	(3,30)
Diluted earnings/(loss) per share (cents) from continuing operations	0,55	(0,68)	(4,46)
Diluted headline earnings/(loss) per share (cents)	0,60	1,27	(3,11)
Diluted headline earnings/(loss) per share (cents) from continuing operations	0,25	(0,87)	(4,25)
Actual number of shares in issue at period end	247 962	247 962	247 962
Weighted number of shares in issue at period end	247 210	247 962	247 210
Fully diluted weighted average number of shares in issue at period end	251 740	253 178	251 740

*Actual net interest paid was R5 185 million. Balance comprises deferred purchase consideration interest.

Condensed consolidated statement of financial position as at 31 August 2011

	Unaudited 31 August 2011 R'000	Unaudited 31 August 2010 R'000	Audited 28 February 2011 R'000
ASSETS			
Non-current assets	124 972	130 212	108 519
Current assets	206 093	151 944	181 458
Inventories	70 618	71 727	52 583
Trade and other receivables	68 167	67 552	58 016
Taxation receivable	6 860	3 520	7 205
Cash and cash equivalents	23 142	9 145	26 532
Assets held for sale	37 306	–	37 122
Total assets	331 065	282 156	289 977
EQUITY AND LIABILITIES			
Equity	145 358	154 471	142 749
Non-current liabilities	42 430	26 005	25 640
Borrowings	34 150	20 579	20 985
Deferred tax liabilities	8 280	5 426	4 655
Current liabilities	143 277	101 680	121 588
Trade and other payables	92 147	76 501	65 910
Bank overdrafts	39 080	25 179	37 200
Liabilities held for sale	12 050	–	18 478
Total equity and liabilities	331 065	282 156	289 977
Net asset value per share (cents)	58,62	62,30	57,57
Tangible net asset value per share (cents)	34,77	39,01	36,99



Condensed consolidated statement of cash flows

for the period ended 31 August 2011

	Unaudited for the six months ended 31 August 2011 R'000	Unaudited for the six months ended 31 August 2010 R'000	Audited for the 12 months ended 28 February 2011 R'000
Cash flows from operating activities	2 236	733	7 044
Cash flows from investing activities	(8 830)	(14 029)	(16 417)
Cash flows from financing activities	3 325	9 093	10 845
Net movement in cash and cash equivalents	(3 269)	(4 203)	1 472
Cash from acquisition of subsidiary	(2 001)	296	296
Cash transferred to assets held for sale	–	–	(308)
Cash and cash equivalents at the beginning of the period	(10 668)	(12 128)	(12 128)
Cash and cash equivalents at the end of the period	(15 938)	(16 035)	(10 668)

Condensed statement of changes in equity

for the period ended 31 August 2011

	Unaudited for the six months ended 31 August 2011 R'000	Unaudited for the six months ended 31 August 2010 R'000	Audited for the 12 months ended 28 February 2011 R'000
Balance at the beginning of the period	142 749	150 222	150 221
Total comprehensive income for the period	2 282	3 680	(8 306)
Share based payment transactions	22	569	834
Foreign currency translation differences	305	–	–
Balance at the end of the period	145 358	154 471	142 749

Condensed consolidated segmental information

for the six months ended 31 August 2011

	Pumps and spares R'000	Valves and Industrial supplies R'000	Specialised Services R'000	Other R'000	Total R'000	Discontinued operations R'000
Revenue	53 536	59 837	81 625	–	194 998	20 197
Gross profit	16 962	18 154	9 360	–	44 476	6 330
Operating expenses*	6 412	10 415	8 336	14 893	40 056	2 086
Profit before tax	5 490	3 867	(8 960)	587	984	1 234
Depreciation/Amortisation	1 291	630	1 348	2 136	5 405	289
Capital expenditure	849	(989)	(893)	9 731	8 698	(302)
Gross assets**	76 036	56 309	72 161	82 194	286 700	23 170
Gross liabilities**	31 480	44 547	17 249	69 397	162 673	7 893

* Operating expenses exclude other income and finance costs

** Deferred tax assets and deferred tax liabilities are excluded

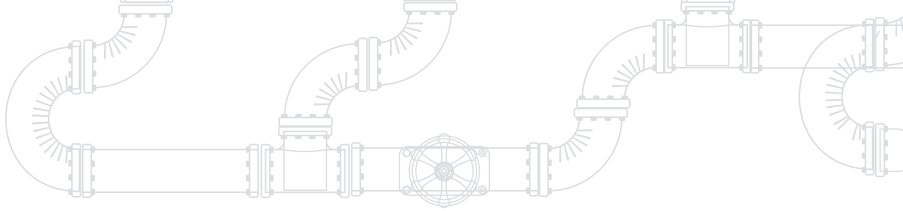
Condensed consolidated segmental information

for the six months ended 31 August 2010

	Pumps and spares R'000	Valves and Industrial supplies R'000	Specialised Services R'000	Other R'000	Total R'000	Discontinued operations R'000
Revenue	49 552	21 176	86 784	–	157 512	38 065
Gross profit	12 554	4 934	15 638	–	33 126	12 267
Operating expenses*	9 060	1 776	9 848	9 168	29 852	3 079
Profit before tax	(1 880)	2 413	1 722	(4 267)	(2 372)	7 493
Depreciation/Amortisation	1 178	41	1 570	2 252	5 041	218
Capital expenditure	(703)	–	(1 923)	270	(2 356)	116
Gross assets**	77 168	7 162	76 560	77 175	238 065	28 729
Gross liabilities**	38 600	(5 646)	11 426	61 586	105 966	12 773

* Operating expenses exclude other income and finance costs

** Deferred tax assets and deferred tax liabilities are excluded



Commentary

NATURE OF BUSINESS

PSV is an industrial engineering company operating in the primary sectors of the South African economy. Due to the acquisition of Turbo Agencies (Proprietary) Limited ("Turbo Agencies") which was effective 1 March 2011, and the disposal of Group Line Projects (Proprietary) Limited ("Group Line Projects") which was effective 8 October 2011, the board of directors of PSV ("the Board") has decided to align the Company's business segments with existing structures used for monthly management reporting purposes. As a result, the Company's new business segments are as follows:

- Pumps and Spares;
- Valves and Industrial Supplies; and
- Specialised Services (including petrochemical, geosynthetic linings and cryogenic activities).

Accordingly, the comparative segmental report for the six months ended 31 August 2010 has been restated for ease of comparison.

BASIS OF PREPARATION

The condensed consolidated financial statements ("interim results") have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") and the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, the Listings Requirements of JSE Limited and in the manner required by the Companies Act, 2008 (Act 61 of 2008). The principal accounting policies as set out in the Company's 2011 annual report, which are in terms of IFRS, have been consistently applied throughout the six-month period under review. These interim results have not been reviewed or audited by the Group's auditors.

PREPARATION OF THE INTERIM RESULTS

The interim financial statements have been prepared under the supervision of the Financial Director, AR Dreisenstock CA (SA) and H Dip Tax Law.

FINANCIAL REVIEW

PSV experienced a tough trading period during the six month period under review. Notwithstanding, there was a noticeable improvement from the prior interim period. Revenue from continuing operations increased by 23,8% compared to the six month period ended 31 August 2010, and gross margins increased to 22,8% (2010: 21,0%). Operating expenses increased by 24,1%, in line with the increase in revenue.

Operating margins increased to 3,0% (2010: 1,3%) and headline earnings per share from continuing operations increased by 128,4% to 0,25 cents (2010: 0,88 cents loss per share). Normalised earnings per share from continuing operations, calculated after eliminating interest provided on deferred purchase considerations, straight lining of leases, share based payments and amortisation of intangibles net of tax effects thereon also increased to 1,38 cents per share (2010: 0,01 cents per share).

Compared to the prior interim period, operating cash flows trebled during the six month period under review, despite the ongoing pressure exerted on working capital. Securing a twelve month commitment from the Group's bankers, together with the successful disposal of Group Line Projects subsequent to the six month period under review, will significantly reduce the Company's gearing and consequential business risk.

A detailed assessment of the Group's goodwill and intangible assets was undertaken at period end. In terms of this assessment, the carrying values of goodwill and intangible assets of the Company's cash generating units were in line with the values reflected in the statement of financial position. Accordingly, the Board decided not to effect any impairment at this time. The carrying value of goodwill and intangible assets will be re-assessed at year end.

OPERATIONAL REVIEW

PUMPS AND SPARES

This segment experienced an increase in revenue, gross margins and consequential profitability during the six months ended 31 August 2011, compared to the prior interim period. The segment contributed 27.5% to the Company's total consolidated revenue at an average gross profit margin of 31,7% (2010: 25,3%). As the rainy season approaches, PSV is confident that there will be an improvement in high margin refurbishment and maintenance work on water pumps. The Company's Mather + Platt subsidiary, which benefited from relocation and restructuring in the six month period under review, achieved a profit in the six month period under review, compared to the loss experienced in the prior interim period.

VALVES AND INDUSTRIAL SUPPLIES

This segment contributed 30,7% to the Company's total consolidated revenue at an average gross profit margin of 30,3% (2010: 23,3%). Revenue increased substantially to R59,8 million (2010: R21,2 million), as a result of the addition of Turbo Agencies in the six month period, which contributed R30,4 million in revenue, as well as to the outstanding performance by Omnirapid Mining and Industrial Supplies (Proprietary) Limited ("Omnirapid"). Omnirapid has continued to exceed budgetary expectations, generating revenue of R34,5 million in the six month period under review (2010: R25,3 million).

SPECIALISED SERVICES

Specialised Services contributed 42% to the Company's total consolidated revenue at an average gross profit margin of 11,5% (2010: 18,0%). Segmental revenue declined from R86,8 million for the six months ended 31 August 2010 to R81,6 million for the comparable six month period ended 31 August 2011. The decline of the gross profit margin is attributable to PSV's petrochemical subsidiary Petro-Logic (Proprietary) Limited ("Petro-Logic"). Petro-Logic has invested significantly in human and capital resources, as well as having implemented vastly improved operating procedures and systems. Unfortunately, whilst Petro-Logic can unreservedly be called market leaders in terms of service excellence, the provision of this service has come at an unaffordable cost. Post the six month period under review, Petro-Logic has been able to negotiate far better maintenance rates with its main customers, diversify its revenue streams into more profitable areas and effectively control costs. As a result, the Board is expecting a significant improvement in performance in the next six months.

ACQUISITION OF TURBO AGENCIES

With effect 1 March 2011 100% of the issued share capital was purchased from Earthwise Services (Pty) Ltd ("EWS") and Keith and Carol Parry ("the Parry's") for a consideration of R24 million. Turbo Agencies supplies tooling equipment and provides crane maintenance services to the mining, engineering automotive industries in Botswana, Zambia and the Democratic Republic of Congo ("DRC").

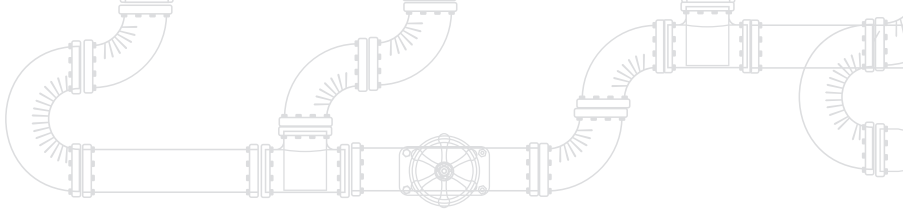
The main reason for the purchase of Turbo Agencies is to extend PSV's footprint into Africa, and leverage off Turbo Agencies' existing customer network with the range of PSV products.

The purchase consideration is to be settled as follows:

- A R12 million fully amortising vendor financed loan owed to EWS payable over five years at prime plus one and
- R12 million due to the Parry's subject to profit warranties to be settled in three equal tranches by the issue of PSV shares. However, in terms of the sales agreement, in the event that the price of PSV shares drops below 17 cents per share, then the entire consideration due is to be settled in cash. As this is the case, the full amount is now to be settled in cash.

The balance sheet at effective date was as follows:

	28 February 2011
	R'000
ASSETS	
Non-current assets	11 665
Goodwill	4 392
Deferred Tax	433
Other non-current assets	6 840
Current assets	21 051
Inventories	5 625
Trade and other receivables	15 234
Cash and cash equivalents	192
Total assets	32 716
Non-current liabilities	16 638
Loans from shareholders	13 841
Finance lease obligations	2 797
Current liabilities	11 905
Taxation payable	1 725
Trade and other payables	7 986
Bank overdrafts	2 194
Total equity and liabilities	28 543
Net assets	4 173



As at 31 August 2011 Turbo has generated revenue of R30 million and contributed 28% to the Group's EBITDA. The current profit after tax for the six months ending 31 August 2011 is R2,8 million.

CHANGES TO THE BOARD

At the Company's recent annual general meeting held on 29 September 2011, shareholders voted against the re-election of all the incumbent non-executive directors. The Company has committed to re-establishing its Board and its audit and risk committees by no later than 30 November 2011, provided that all JSE and statutory requirements can be met timeously. Shareholders will be informed accordingly.

As a result of the disposal of Group Line Projects, Dave Kelly's function changed from that of an executive director to a non-executive director with effect from 30 September 2011.

DIVIDENDS

The Group will continue to retain and utilise cash generated to fund its working capital requirements and potential acquisitions. As such, no dividends were declared or proposed. The Board will review the dividend policy annually.

SUBSEQUENT EVENTS

Other than the disposal of Group Line Projects, the Board is not aware of any other material matters that have occurred since the end of the six month period under review, up to and including the date of this report.

PROSPECTS

It is the opinion of the Board that, the six month period under review has undoubtedly been the most difficult period which the Company has had to endure during its history. However, the Board is pleased with its adopted strategy of disposing of Group Line Projects and replacing the lost income with the positive contribution from Turbo Agencies. Turbo Agencies is also assisting with the diversification of the PSV footprint in Africa. Furthermore, the consolidation of costs and businesses into the PSV Office Park has been a resounding success.

In October 2011, PSV acquired the business of PSV MITECH, a local manufacturer of globe control valves, pneumatic actuators, de-superheaters and allied equipment for the process industry. This acquisition will provide PSV with access to the high end of the control valve market, a segment PSV has not previously been involved in, as well as the ability to broaden the existing valve range in South African, African and international markets. The effective date accounts are still being finalised. Consequently, the relevant financial information is not yet available.

Although the economic climate is expected to remain difficult, the Board is cautiously optimistic that the changes effected within the various business units will position them to generate better returns despite the current operating environment.

For and on behalf of the Board

AJD da Silva

Chief Executive Officer

AR Dreisenstock

Financial Director

26 October 2011

DIRECTORS

Executive Directors: AJD da Silva (Chief Executive Officer), AR Dreisenstock (Financial Director), P Robinson* (Director).

Non-Executive Directors: DJ Kelly*

**British*

COMPANY SECRETARY: M Pretorius

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DESIGNATED ADVISER: Merchantec Capital