



PSV

PSV HOLDINGS LIMITED

**Provisional audited condensed
consolidated results**
for the year ended 28 February 2017

Condensed consolidated statement of comprehensive income

	Audited for the year ended 28 February 2017 R	Audited for the year ended 29 February 2016 R
Revenue	209 761 282	243 428 818
Cost of sales	(172 639 253)	(207 285 730)
Gross profit	37 122 029	36 143 088
Other expenses net of sundry income	32 991 667	61 453 820
Results from operating activities	4 130 362	(25 310 732)
Finance income	436 000	3 253 430
Finance costs	(4 038 954)	(3 556 267)
Net finance costs	(3 602 954)	(302 837)
Profit/(loss) before deferred tax	527 408	(25 613 569)
Taxation	(1 674 806)	6 258 939
(Loss) for the year from continuing operations	(1 147 398)	(19 354 630)
Revenue	–	34 091 104
Expenses	–	(53 689 285)
Pretax (loss)	–	(19 598 181)
Tax	–	(1 615 988)
(Loss) from discontinued operations	–	(21 214 169)
(Loss) for the year attributable to ordinary shareholders	(1 147 398)	(40 568 799)
Other comprehensive income that may be recycled in future periods		
Foreign currency translation (loss)/gain	433 815	185 910
Total comprehensive (loss) for the year	(713 583)	(40 382 889)
Reconciliation of headline earnings		
Headline (loss)	(3 118 954)	(21 638 050)
(Loss) after tax attributable to ordinary shareholders	(1 147 398)	(40 568 799)
(Profit) on disposal of property, plant and equipment	(290 069)	(195 963)
(Profit) on sale of disposal group	(2 166 764)	–
Impairment of intangible assets	–	4 463 069
Impairment of goodwill and loans	–	15 858 433
Tax effect of above adjustments	485 277	(1 194 790)
Headline (loss) – continuing operations	(3 118 954)	(7 771 947)
(Loss) after tax attributable to ordinary shareholders – continuing operations	(1 147 398)	(19 354 630)
(Profit) on disposal of property, plant and equipment	(290 069)	(195 963)
(Profit) on sale of disposal group	(2 166 764)	–
Impairment of intangible assets	–	4 148 128
Impairment of goodwill	–	8 737 124
Tax effect of above adjustments	485 277	(1 106 606)
Basic (loss) per share (cents)	(0.43)	(15.37)
Basic (loss) per share (cents) – continuing operations	(0.43)	(7.33)
Basic (loss) per share (cents) – discontinued operations	–	(8.04)
Headline (loss) per share (cents)	(1.18)	(8.20)
Headline (loss) per share (cents) – continuing operations	(1.18)	(2.95)
Headline (loss) per share (cents) – discontinued operations	–	(5.25)
Diluted (loss) per share (cents)	(0.43)	(15.37)
Diluted (loss) per share (cents) – continuing operations	(0.43)	(7.33)
Diluted (loss) per share (cents) – discontinued operations	–	(8.04)
Diluted headline (loss) per share (cents)	(1.18)	(8.20)
Diluted headline (loss) per share (cents) – continuing operations	(1.18)	(2.95)
Diluted headline (loss) per share (cents) – discontinued operations	–	(5.25)
Actual number of shares in issue at end of the year	265 879 842	265 879 842
Weighted number of shares in issue at end of the year	263 792 329	263 879 842
Fully diluted weighted average number of shares in issue at end of the year	263 792 329	263 879 842

Condensed consolidated statement of financial position



	Audited 28 February 2017 R	Audited 29 February 2016 R
ASSETS		
Non-current assets	47 739 882	44 830 703
Property, plant and equipment	11 940 100	9 784 915
Intangible assets	266 400	415 600
Goodwill	17 606 734	17 606 734
Loans receivable – long term	2 503 409	–
Deferred taxation	15 423 239	17 023 454
Current assets	58 215 931	69 362 133
Inventories	10 590 068	15 729 574
Trade and other receivables	39 826 707	38 169 124
Taxation receivable	55 441	55 441
Loans receivable – short term	1 662 901	–
Cash and cash equivalents	6 080 814	15 407 994
Total assets	105 955 813	114 192 836
EQUITY		
Share capital	273 329 475	273 329 475
Foreign currency translation reserve	356 984	(76 830)
Retained loss	(242 753 977)	(241 606 579)
Total equity attributable to ordinary shareholders of the Company	30 932 482	31 646 066
LIABILITIES		
Non-current liabilities	5 527 141	3 977 566
Deferred tax	74 592	–
Loans and borrowings	5 452 549	3 977 566
Current liabilities	69 496 190	78 569 204
Billings in excess of work certified	4 791 305	5 533 500
Trade and other payables	41 429 922	44 954 712
Taxation payable	–	69 812
Bank overdraft	20 323 105	23 670 202
Current portion of loans and borrowings	2 951 858	4 312 963
Non-current liabilities held for sale	–	28 014
Total liabilities	75 023 331	82 546 770
Total equity and liabilities	105 955 813	114 192 836

Condensed consolidated statement of changes in equity

	Share capital R	Foreign currency translation (deficit/reserve) R	Retained loss R	Total R
Balance at 29 February 2016	273 329 475	(76 830)	(241 606 579)	31 646 066
Total comprehensive loss for the year	–	433 814	(1 147 398)	(713 584)
Balance at 28 February 2017	273 329 475	356 984	(242 753 977)	30 932 482

Condensed consolidated statement of cash flows

	Audited 28 February 2017 R	Audited 29 February 2016 R
Cash flows from operating activities	3 561 140	6 283 692
Taxation paid	(69 812)	(3 818 382)
Net cash (used in) operating activities	3 491 328	2 465 311
Net cash from operating activities – continuing operations	3 491 328	15 581 969
Net cash (used in) operating activities – discontinued operations	–	(13 116 658)
Cash flows from investing activities		
Additions to property, plant and equipment to expand operations	(3 664 021)	(3 812 182)
Loan advanced on sale of disposal group	(1 981 758)	–
Proceeds from disposal of property, plant and equipment	745 232	4 739 939
Proceeds on sale of subsidiaries	–	3 082 322
Finance income	418 212	3 253 430
Net cash from investing activities	(4 482 335)	7 263 509
Net cash from investing activities – continuing operations	(4 482 335)	3 721 840
Net cash from investing activities – discontinued operations	–	3 541 669
Settlement of deferred purchase liability	–	(4 845 331)
Loans and borrowings granted	(950 122)	1 563 088
Finance expenses arising on interest-bearing debt	(4 038 954)	(3 556 268)
Net cash used in financing activities	(4 989 076)	(6 838 511)
Net cash from financing activities – continuing operations	(4 989 076)	(16 389 407)
Net cash from financing activities – discontinued operations	–	9 550 896
(Decrease)/increase in cash and cash equivalents	(5 980 083)	2 890 309
Cash and cash equivalents at the beginning of the year	(8 262 208)	(11 152 517)
Cash and cash equivalents at the end of the year	(14 242 291)	(8 262 208)
Cash balances at the end of the year	6 080 814	15 407 994
Bank overdraft at the end of year	(20 323 105)	(23 670 202)

Segmental report

	Industrial Supplies R	Specialised Services R	Shared Services and other R	Total R
For the 12 months ended 28 February 2017				
Total segment revenue	107 900 834	112 570 275	–	220 471 109
Inter-segmental revenue	(9 694 152)	(1 015 674)	–	(10 709 826)
Reportable segment revenue	98 206 682	111 554 601	–	209 761 282
Gross profit	19 121 765	18 177 871	(177 607)	37 122 029
Depreciation and amortisation	(443 431)	(111 179)	(1 540 768)	(2 095 378)
Other operating expenses	(17 429 089)	(11 002 328)	(6 057 768)	(34 489 186)
Profit/(loss) before tax	576 383	5 620 873	(5 669 848)	527 408
Capital expenditure	30 575	3 467 558	1 229 887	4 728 020
Gross assets	40 320 719	39 842 399	25 792 695	105 955 813
Gross liabilities	(39 239 251)	(53 615 483)	17 831 403	(75 023 332)

For the 12 months ended 29 February 2016				
Total segment revenue	136 393 978	121 022 489	(13 987 649)	243 428 818
Inter-segmental revenue	(6 501 221)	(7 486 428)	13 987 649	–
Reportable segment revenue	129 892 757	113 536 061	–	243 428 818
Gross profit	23 197 678	12 948 280	(2 870)	36 143 088
Depreciation and amortisation	795 756	–	3 113 368	3 909 124
Impairment of goodwill and other intangibles	14 560 798	13 907 634	16 191 012	44 659 444
Other operating expenses	–	–	12 885 252	12 885 252
Profit/(loss) before tax from continuing operations	9 519 376	(3 734 958)	(31 397 987)	(25 613 569)
Profit after tax	10 487 113	(2 745 346)	(27 096 397)	(19 354 630)
Capital expenditure	693 955	2 740 316	377 910	3 812 181
Gross assets	67 962 514	38 974 654	7 255 668	114 192 836
Gross liabilities – continuing operations	29 393 163	43 887 371	9 266 236	82 546 770
Gross liabilities – discontinued operations	28 014	–	–	28 014

Segmental information by geographical region	South Africa R	Botswana R	DRC R	Total R
Revenue (external)	190 173 150	19 588 132	–	209 761 282
Non-current assets	43 092 732	4 647 150	–	47 739 882
Revenue per major customer	68 547 568	–	2 482 019	71 029 587

Commentary

BASIS OF PREPARATION

The provisional audited condensed consolidated results for the year ended 28 February 2017 ("the year") have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), the disclosure and presentation requirements of IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the Companies Act, 2008 (Act 71 of 2008), as amended. The accounting policies and method of computation applied in preparation of these provisional audited condensed consolidated results are in accordance with IFRS and are consistent with those applied in the annual financial statements for the year ended 29 February 2016.

This provisional report is extracted from audited information but is not itself audited. The board of directors of PSV ("the Board") takes full responsibility for the preparation of this report and the financial information has been correctly extracted from the underlying annual financial statements.

The annual financial statements have been prepared under the supervision of the Financial Director, Tony Dreisenstock CA(SA), and have been audited by the Group's auditors, Certified Master Auditors Inc., whose unqualified audit report is available for inspection at the registered office of the Company.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the audit report, together with the accompanying financial information, from the Group's registered office. Any reference to future financial performance included in this announcement has not been reviewed by or reported on by the Group's auditor.

NATURE OF BUSINESS

PSV is an industrial engineering holding company comprising two operating business segments:

- Industrial Supplies (including steel, piping, industrial tools and consumable supplies, and a tools agency business in Botswana).
- Specialised Services (including comprehensive cryogenic and gas systems and the supply and installation of geosynthetic linings).

INTRODUCTION

Despite tough trading conditions, PSV managed to generate a pre-tax profit of R0.53 million underpinned by sterling operating performances from its South African trading operation, PSV Industrial (Pty) Ltd. Unfortunately, the Group generated an after tax loss (attributable to a non-cash flow deferred tax charge) of R1.15 million (2016: R40.57 million loss). The disproportionate tax charge arose on our inability to claim tax relief on holding company costs.

FINANCIAL RESULTS

Although turnover contracted by 13.83% to R209.76 million (2016: R243.43 million), gross margins strengthened to 17.70% (2016: 14.85%) and operating costs reduced by 46.31% to R33 million (2016: R61.45 million). The net result was that the Group incurred a R1.15 million after tax loss from continuing operations compared to a R19.35 million loss the previous financial year. The headline loss per share strengthened from a loss of 8.20 cents per share ("cps") to a loss of 1.18 cps.

Notwithstanding the pleasing turnaround in the business, our cash flow position worsened by R6 million, principally caused by high finance costs, loan advances to fund our B-BBEE enterprise development initiative and cash spent on assets built internally and bought for cash. As a result of the loss incurred, the Company's debt: equity ratio (net of cash) increased from 52% in 2016 to 73% in the current year. The Company's net tangible asset per share decreased marginally to 4.95 cps from 5.16 cps in 2016.

OPERATIONAL REVIEW

Industrial Supplies

This segment contributed 47% (2016: 53%) to the Group's consolidated reportable segment revenue at an average gross profit margin of 19.47% (2016: 17.86%).

Omnirapid continues to generate good profitability underpinned by improved margins, despite a contraction in turnover. The business continues to show resilience.

Turbo Botswana made a small operating loss for the year. During the course of the year, the company's capital structure was improved by the conversion of approximately R5 million overdraft debt into a four-year non-revolving structured loan. The Botswana economy has contracted, exacerbated by the liquidation of a major state-owned mining company and many other mines going on "care and maintenance".

Specialised Services

Specialised Services contributed 53% (2016: 47%) to the Group's consolidated reportable segment revenue at an average gross profit margin of 16.30% (2016: 11.40%).

Despite many trading obstacles, African Cryogenics achieved profitability, underpinned by the profitable disposal of its calibration business to our enterprise development partner, and the restructuring of the operating lease on its premises. New management has been appointed with the relevant expertise and experience. Former management has been retained on a consultancy basis.

Although Engineered Linings generated good levels of profitability, its cash flow came under severe pressure in the latter part of the financial year due to delayed payments from customers. Notwithstanding, Engineered Linings has a strong order book in place and financial stability is gradually being restored.

DIVIDENDS

No dividends were declared or proposed. The Board reviews the dividend policy annually.

CHANGES TO THE BOARD

During the year under review Ralph Patmore resigned as Chairman on 30 August 2016 and Eric Ratshikhopha was appointed Chairman in his stead on 15 September 2016. Lerato Mosiah was appointed as an independent non-executive director on 1 October 2016. We wish Ralph well in his future endeavours and thank him for his valuable input.

SUBSEQUENT EVENTS

There have been no subsequent events.

GOING CONCERN

Whilst the turnaround in the Company's fortunes has mitigated the need for an extensive going concern evaluation, the marginal after tax loss incurred in the current year necessitates the need for continual assessment of the Group's economic viability. In assessing the solvency and liquidity of PSV, cognisance of the deficit between current liabilities and assets has been considered. After eliminating non-cash flow provisions, job costing accruals, offset and debt reduction agreements negotiated with suppliers post-year-end, the deficit reduces to an immaterial amount. The Company is engaging in continual dialogue with its customers, suppliers and bankers and is confident that the deficit will be addressed in the coming months. Based on the approved budgets, the Board is satisfied that PSV will remain a viable going concern. The Company's major bankers have also recently renewed the Company's existing overdraft facilities.

PROSPECTS

Notwithstanding ongoing tough market operating conditions, PSV expects that growth will gain traction and that its various operating divisions will weather the current economic climate. We remain confident that we will secure a successful funded B-BBEE equity partner which will contribute favourably to the Group's profitability.

For and on behalf of the Board

AJD da Silva
Chief Executive Officer

AR Dreisenstock
Chief Financial Officer

Johannesburg
31 May 2017

DIRECTORS

Executive directors:

AJD da Silva (Chief Executive Officer);
AR Dreisenstock (Chief Financial Officer)

Independent non-executive directors:

E Ratshikhopha (Chairman of the Board);
A de la Rue (Chairman of the Audit and
Remuneration Committees);
L Mosiah (Chairman of the Social and
Ethics Committee)

COMPANY SECRETARY

Merchantec Capital

DESIGNATED ADVISER

Merchantec Capital

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Certified Master Auditors Inc.

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