PSV HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration number 1998/004365/06)
Share code: PSV ISIN: ZAE000078705
("PSV" or "the Company" or "the Group")

Provisional condensed consolidated results for the year ended 28 February 2019

Condensed consolidated statement of comprehensive income

	28 February 2019 R	28 February 2018 R
Revenue	**237 532 704**	175 703 448
Cost of sales	**(206 894 319)**	(144 755 945)
Gross profit	**30 638 385**	30 947 503
Other income	**431 039**	562 994
Other expenses	**(34 354 065)**	(30 860 839)
(Loss)/Profit from operating activities	**(3 284 641)**	649 658
Finance income	**187 312**	1 063 896
Finance costs	**(2 007 795)**	(1 943 662)
Net finance costs	**(1 820 483)**	(879 766)
(Loss)/Profit before tax from continuing operations	**(5 105 124)**	230 108
Deferred tax	**5 703 255**	(520 090)
Profit/(Loss) for the year from continuing operations	**598 131**	(750 198)
Revenue from discontinued operations	**57 503 656**	51 626 289
Net expenses from discontinued operations	**(80 368 525)**	(51 652 168)
(Loss) before tax from discontinued operations	**(22 864 869)**	(25 879)
Tax from discontinued operations	**(3 706 680)**	(47 399)
(Loss) from discontinued operations	**(26 571 549)**	(73 278)
(Loss) for the year attributable to ordinary shareholders	**(25 973 418)**	(823 476)
Other comprehensive income that may be recycled in future periods		
Foreign currency translation gain/(loss) not subject to tax	**30 667**	(495 571)
Other comprehensive income that will not be subsequently reclassified to profit or loss		
Revaluation surplus net of tax	**(622 784)**	622 784
Total comprehensive (loss) for the year	**(26 565 535)**	(696 264)
Reconciliation of headline earnings		
Profit/(Loss) after tax attributable to ordinary shareholders – continuing operations	**598 131**	(750 198)
(Profit)/Loss on disposal of property, plant and equipment – continuing operations	**(48 519)**	100 146
Loss on sale of disposal group	**226 606**	165 381
Tax effect on adjustments – continuing operations	**13 585**	(28 041)
Headline profit/(loss) – continuing operations	**789 803**	(512 712)
(Loss) after tax attributable to ordinary shareholders – discontinued operations	**(26 571 549)**	(73 278)
(Profit) on disposal of property, plant and equipment – discontinued operations	**(2 134)**	(20 350)
Tax effect on adjustments – discontinued operations	**469**	4 477
Headline (loss) - discontinued operations	**(26 573 214)**	(89 151)
Headline (loss) for the year attributable to ordinary shareholders	**(25 783 411)**	(601 863)
Basic and diluted (loss) per share (cents)	**(7.91)**	(0.31)
Basic and diluted (loss) per share (cents) - continuing operations	**0.18**	(0.28)
Basic and diluted (loss) per share (cents) - discontinued operations	**(8.10)**	(0.03)
Headline (loss) per share (cents)	**(7.86)**	(0.23)
Headline (loss) per share (cents) - continuing operations	**0.24**	(0.19)
Headline (loss) per share (cents) - discontinued operations	**(8.10)**	(0.03)
Actual number of shares in issue at year end	**406 913 577**	265 879 842
Weighted number of shares in issue at year end	**328 206 846**	263 810 429
There are no shares with a dilutive impact		

Condensed consolidated statement of financial position

	28 February 2019 R	28 February 2018 R
ASSETS		
Non-current assets	**42 401 037**	42 540 858
Property, plant and equipment	**5 435 889**	11 793 921
Goodwill and intangible assets	**18 369 192**	17 784 334
Long term portion of retention debtors receivable	**847 162**	847 162
Loans receivable – long term	**1 107 239**	1 336 387
Deferred taxation	**16 641 555**	10 779 054
Current assets	**50 574 294**	77 634 144
Inventories	**6 496 855**	35 702 949
Trade and other receivables	**37 184 497**	37 575 071
Loans receivable – short term	**209 526**	197 450
Cash and cash equivalents	**6 683 416**	4 158 674
Non-current assets held for sale	**7 195 389**	11 093 272
Total assets	**100 170 720**	131 268 274
EQUITY		
Share capital	**297 743 640**	273 329 475
Revaluation surplus	**-**	622 784
Foreign currency translation reserve	**(107 920)**	(138 587)
Retained (loss)	**(271 258 360)**	(245 284 942)
Total equity attributable to ordinary shareholders of the Company	**26 377 360**	28 528 730
LIABILITIES		
Non-current liabilities	**1 778 692**	2 147 455
Deferred Tax	**29 201**	49 728
Loans and borrowings	**1 749 491**	2 097 727
Current liabilities	**64 860 603**	91 190 103
Billings in excess of work certified	**-**	679 002
Trade and other payables	**42 976 616**	66 776 700
Bank overdraft	**20 437 169**	20 980 994
Current portion of loans and borrowings	**694 874**	665 119
Provisions	**751 944**	2 088 288
Non-current liabilities held for sale	**7 154 065**	9 401 987
Total liabilities	**73 793 360**	102 739 544
Total equity and liabilities	**100 170 720**	131 268 274

Condensed consolidated statement of changes in equity

	Share capital	Foreign currency translation reserve	Revaluation surplus	Retained (loss)	Total
Balance at 28 February 2017	**273 329 475**	**356 984**	**-**	**(244 461 465)**	**29 224 994**
Total comprehensive (loss) for the year	-	(495 571)	622 784	(823 477)	(696 264)
Balance at 28 February 2018	**273 329 475**	**(138 587)**	**622 784**	**(245 284 942)**	**28 528 730**
Total comprehensive (loss) for the year	-	-	-	(25 973 418)	(25 973 418)
Issue of Shares	24 414 165				24 414 165
Other comprehensive income from the revaluation of assets (net of tax)			**(622 784)**		**(622 784)**
Other comprehensive income from currency fluctuations	-	30 667			30 667
Balance at 28 February 2019	**297 743 640**	**(107 920)**	**-**	**(271 258 360)**	**26 377 360**

Condensed consolidated statement of cash flows

	28 February 2019 R	28 February 2018 R
Cash flows from operating activities	**(20 348 123)**	(2 228 673)
Taxation paid	-	55 441
Net cash (used in) operating activities	**(20 348 123)**	(2 173 233)
Net cash (used in) operating activities – continuing operations	(11 506 519)	(3 836 432)
Net cash (used in)/from operating activities – discontinued operations	(8 841 604)	1 663 199
Cash flows from investing activities		
(Additions) to property, plant and equipment to expand operations	(556 732)	(746 398)
Proceeds from disposal of property, plant and equipment	1 770 434	1 777 185
(Additions) to intangibles to expand operations	(718 570)	-
Loan raised on B-BBEE sale	-	3 188 542
Decrease in assets held for sale	803 366	-
Finance income	48 782	366 268
Net cash from investing activities	**1 347 280**	4 585 597
Net cash (used in)/from investing activities – continuing operations	1 279 388	4 495 696
Net cash from investing activities – discontinued operations	67 892	89 901
Cash flows from financing activities		
Net proceeds of Share Subscription	24 414 164	-
Loans and borrowings repaid	(318 481)	(3 255 881)
Finance expenses	(2 007 795)	(3 763 161)
Net cash from/(used in) financing activities	**22 087 888**	(7 019 042)
Net cash from/(used in) financing activities – continuing operations	13 061 219	(4 984 642)
Net cash from/(used in) financing activities – discontinued operations	9 026 669	(2 034 400)
(Decrease) in cash and cash equivalents	**3 087 045**	(4 606 677)
Net (decrease) in cash and cash equivalents – continuing operations	2 834 088	(4 325 377)
Net increase/(decrease) in cash and cash equivalents – discontinued operations	252 957	(281 300)
Cash balance transferred to non-current assets held for sale	**(18 478)**	2 026 648
Cash balance transferred to non-current assets held for sale	**(18 478)**	(244 449)
Bank overdraft transferred to non-current liabilities held for sale	**-**	2 271 097
Cash and cash equivalents at beginning of the year	**(16 822 320)**	(14 242 291)
Cash and cash equivalents at end of the year	**(13 753 753)**	(16 822 320)

Segmental report 2019

	Industrial Supplies R	**Specialised Services R**	**Shared Services and Other R**	**Total Continued operations R**
Total segment Revenue	178 351 228	60 757 954	-	239 109 182
Inter-segmental revenue	(1 576 478)	-	-	(1 576 478)
Reportable segment revenue	**176 774 750**	60 757 954	**-**	**237 532 704**
Gross profit	**23 668 348**	**4 415 452**	**2 554 585**	**30 638 385**
Operating Expenses	**(9 500 540)**	**(7 629 811)**	**(17 223 714)**	**(34 354 065)**
Depreciation and amortisation	-	(133 013)	(1 052 841)	(1 185 854)
Other operating expenses	(9 500 540)	(7 496 798)	(16 170 873)	(33 168 211)
Profit/(Loss) before tax from continuing operations	14 047 336	(4 130 236)	(15 022 224)	(5 105 124)
Capital expenditure	**-**	**105 602**	**482 181**	**587 783**
Total assets	**24 104 864**	**21 654 156**	**54 411 700**	**100 170 720**
Continuing operations	20 487 726	18 075 905	54 411 700	92 975 331
Discontinued operations	3 617 138	3 578 251	-	7 195 389
Total liabilities	**23 515 812**	**33 630 041**	**16 647 507**	**73 793 360**
Continuing operations	16 361 748	33 630 041	16 647 507	66 639 296
Discontinued operations	7 154 064	-	-	7 154 064

Segmental report 2018

	Industrial Supplies R	Specialised Services R	Shared Services and Other R	Total Continued operations R
Total segment Revenue	112 019 381	72 276 381	-	184 295 545
Inter-segmental revenue	(8 592 097)	-	-	(8 592 097)
Reportable segment revenue	**103 427 284**	72 276 381	**-**	**175 703 448**
Gross profit	**17 760 703**	**13 171 311**	**15 489**	**30 947 503**
Operating Expenses	**(8 949 208)**	**(6 893 962)**	**(15 017 669)**	**(30 860 839)**
Depreciation and amortisation	-	(88 100)	(303 219)	(391 319)
Other operating expenses	(8 949 208)	(6 805 862)	(14 714 450)	(30 469 520)
Profit / (loss) before tax from continuing operations	8 895 724	5 221 820	(14 347 652)	(230 108)
Profit/(loss) after tax excluding discontinued operations	6 296 861	3 924 476	(10 971 535)	(750 198)
Capital expenditure	**-**	**-**	**1 993 585**	**1 993 585**
Total assets	**22 758 447**	**63 456 240**	**45 053 587**	**131 268 274**
Continuing operations	11 665 175	63 456 240	45 053 587	120 175 002
Discontinued operations	11 093 272	-	-	11 093 272
Total liabilities	**22 329 822**	**60 036 300**	**20 373 422**	**102 739 544**
Continuing operations	12 927 836	60 036 300	20 373 422	93 337 558
Discontinued operations	9 401 986	-	-	9 401 986

COMMENTARY

BASIS OF PREPARATION

The provisional condensed consolidated results for the year ended 28 February 2019 (“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 condensed consolidated results are in accordance with IFRS and are consistent with those applied in the annual financial statements for the year ended 28 February 2018 with the exception of the adoption of IFRS 9: Financial Instruments (“IFRS 9”).

The Group has adopted IFRS 9 with a date of application of 1 March 2018. IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an “expected credit loss” model for the impairment of financial assets. There have been no changes to the classification and measurement of the financial instruments in the Group with the application of IFRS 9 and there was no material impact on the financial statements.

There were no other new revised standards adopted that have a material impact on the consolidated financial statements.

The provisional condensed consolidated results have been prepared under the supervision of the Financial Director, Roger Pitt CA(SA), and have been reviewed by the Group’s auditors, HLB CMA South Africa Inc., whose unmodified review report is available for inspection at the registered office of the Company.

NATURE OF BUSINESS

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

• Industrial Supplies (including steel, piping, industrial tools and consumable supplies); and
• Specialised Services (including comprehensive cryogenic and gas systems and the supply and installation of geosynthetic linings).

INTRODUCTION
The Group has endured an extremely challenging 12 months with substantial financial losses against a background of extremely difficult trading conditions and the departure of previous executive management. Newly appointed management is making encouraging strides toward delivering a turnaround.

FINANCIAL RESULTS
Despite strong revenue (+59%) and overall margin (+33%) growth in Industrial Supplies driven primarily by exports volume, the Group was unable to convert this increase into overall profitability. Specialised Services fared poorly as the general economy weighed heavily on the gas sector, its primary customer base. Poor execution and structural sector changes in geosynthetic lining material supply and installation resulted in substantial losses. Turbo Agencies and Engineered Linings meet the requirements contained in IFRS 5 to be treated as a disposal group and are accounted for as discontinued operations.

Profit after tax from continued operations was R0.6 million (2018: loss after tax of R0.75 million). Engineered Linings has been defined as a disposal group in terms of IFRS 5 and has been reclassified as a discontinued operation. This has necessitated a reclassification of the 2018 comparatives. Headline loss per share was 7.91 cents per share ("cps") (2018: Headline loss per share of 0.31 cps).

Total cash flow from operating activities remained negative at R20.4 million (2018: R2.2 million). The Company's net cash increased resulting in a reduced net overdraft of R13.7 million compared to R16.8 million overdraft in the previous year. This improvement was largely due the issue of shares for cash to Regis Holdings Limited (“Regis”) which resulted in a cash inflow of R24.4 million.

As the goodwill in the statement of financial position relates to the Omnirapid cash generating unit, no impairment was considered necessary.

The Company's statement of financial position remained constant due to the offset of the losses for the year and the issue of shares to Regis.

OPERATIONAL REVIEW

Industrial Supplies

This segment contributed 74% (2018: 49%) to the Group’s consolidated reportable segment revenue, at an average gross profit margin of 13.4% (2018: 17.2%).

The business continues to perform well and generates consistent cash flows which, against the general economic background and sector dynamics is a credit to management. Relentless focus on execution, pricing and customer relationship management has, and continues, to deliver strong volume growth and an expansion in the customer base. Despite a basis points contraction in the gross margin (-380bp), the strong volume growth has driven overall margin growth (+33%).

Turbo Agencies has been classified as discontinued operation.

Specialised Services

Specialised Services contributed 26% (2018: 51%) to the Group’s consolidated reportable segment revenue at an average gross profit margin of 7.3% (2018: 23.0%).

The cryogenic vessel manufacturing business was impacted negatively by the economy generally and the resultant constrained capex spend across the sector. The business operated at well below capacity and was unable to adjust its fixed and variable costs sufficiently to compensate for the slowdown. Management pivoted toward the development and design of key intellectual property elements which will serve it well going forward.

The supply and installation of geosynthetic linings business has been the key source of poor historical financial performance of the Group. Geosynthetic linings have become a commoditised material with very low margins and the attached installation industry is very fragmented. The legacy premise that substantial installation margins are available on large scale, and often, foreign projects, was myopic in that it failed to account for the inherent supply chain and execution risks in such projects. The pressure which this has exerted on an under-capitalised balance sheet has been problematic. The business has been classified as a discontinued operation.

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

CHANGES TO THE BOARD
The following changes to the Board occurred during the period under review.

Ms Lerato Mosiah resigned as an independent non-executive director with effect from 2 October 2018.
Mr Anthony de la Rue, who was appointed as Chairman of the Board, stepped down as Chairman of the Audit and Risk Committee and as Chairman of the Remuneration Committee with effect from 3 October 2018.
Mr Eric Ratshikhopha, who was appointed as Chairman of the Social and Ethics Committee, stepped down as Chairman of the Board with effect from 3 October 2018.

Mr Roger Pitt was appointed as an independent non-executive director of the Board and Chairman of the Audit and Risk Committee with effect from 3 October 2018.

Mr Carlos Fernandes was appointed as a non-executive director of the Board and Chairman of the Remuneration Committee with effect from 3 October 2018.

Mr Abilio da Silva resigned as Chief Executive Officer with effect from 21 November 2018.
Mr Carlos Fernandes was appointed as Interim Chief Executive Officer with effect from 22 November 2018.

Mr Tony Dreisenstock resigned as Chief Financial Officer with effect from 1 February 2019.
Mr Ian Schmidt, who was appointed as Chief Financial Officer with effect from 1 February 2019, resigned with effect from 31 March 2019.
Mr Roger Pitt was appointed as Chief Financial Officer with effect from 31 March2019, stepping down as an independent non-executive director at the same date.
Mr Douglas Lorimer ("Doug") was appointed as an independent non-executive director of the Board and Chairman of the Audit and Risk Committee with effect from 17 May 2019. Doug has subsequently also been appointed as Chairman of the Remuneration Committee with effect from 23 May 2019.

SUBSEQUENT EVENTS
Subsequent to the financial year-end on or about 20 March 2019, the Group entered into a loan agreement with Regis, in terms of which, Regis loaned the business USD365 000 at US prime rate (currently 5.5%).

GOING CONCERN
The Directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns. Notwithstanding that the Group has made significant losses in the current financial year, the Board is confident that the Group will continue as a going concern for the following reasons:

- the work being done by the executive and senior management to turn the business around is ongoing, and is starting to show benefits post year end;
- reduced costs in the areas of human resources, operating expenses and overheads are coming into effect;
- new leadership is allowing the Group to derive value from synergies within the Group to reduce costs and drive growth;
- we continue to enjoy the support of our shareholders and are pursuing a capital raising transaction;
- the Company has raised a loan from Regis for USD365 000 to support the working capital of the business;
- the Company is currently negotiating a further loan agreement with Regis for an additional R9 million in order to fund specific projects within the Group which have been identified as part of the turnaround process;
- the disposal of Turbo Agencies Botswana is nearing finalisation;
- the potential sale of Engineered Linings a loss-making operation will remove a cash drain on the business; and
- the Group is actively progressing its B-BBEE strategy which is expected to open up further opportunities for growth.

PROSPECTS
Industrial Supplies
Our focus is to broaden and grow the strong trading base while simultaneously evolving the operating and control environment. Our priorities are responsible and appropriately leveraged trading, robust treasury management, succession and key account development. This business delivers strong operational synergies with the cryogenics business.

Specialised Services
Against a backdrop of low growth in traditional industrial gas supply, manufacturing opportunities which are driven by ageing local gas company fleets on both road tankers and static or standing vessels, exist for PSV.

Newer specification road tankers deliver a much greater cost efficiency via improved payloads and chassis weight. The business has key elements of intellectual property pertaining to enhanced cost efficiencies and Africa road operating environment specificities. Gas is typically low margin and savings in supply chain are hugely relevant to the gas companies. Across the vessel manufacturing universe there are substantial supply constraints, manifested in long lead times on imported tankers.

Static tanks tend to have an element of standardised manufacturing and are generally produced to overall demand with specific manufacturing slots rather than to specific orders, which materialise through marketing the continuity of the approach. To this end, the business needs to continue to operate in the same manner, with efficient utilisation of the manufacturing bay with near standard elements of manufacturing, thereby offering clients the opportunity to book production slots over time. This, together with more fundamental elements such health and safety, certification and supplier accreditation, are key focus areas for the division. The key benefits of this approach are lower unit costs and much reduced lead times.

Investing into these tactical advantages across road tankers and static tanks will, we believe, ultimately produce a sustainable strategic advantage over importation.

The business is also one of only two local Vaporisers manufacturers. This component of the business has operated near to capacity over recent periods, and we expect this to continue. Import replacement is unlikely due to the spatial elements of the design.
Other non-manufacturing elements of the business, such as the supply of specialised OEM cryogenic equipment and valves, and maintenance exist as a value-add to customers and warrant higher margins than currently being achieved.
The applications bay, which focuses on specialised cryogenic engineering projects, typically for the Food and Beverage industry, is an area of the business which is also under developed before its potential customer base.

For and on behalf of the Board

Carlos Fernandes
Chief Executive Officer (interim)

Roger Pitt
Chief Financial Officer

Johannesburg
31 May 2019

DIRECTORS
Executive Directors:
Carlos Fernandes (interim Chief Executive Officer)
Roger Pitt (Chief Financial Officer)

Independent Non-Executive Directors:
A de la Rue (Chairman of the Board)
Douglas Lorimer (Chairman of the Audit and Risk Committee and Remuneration Committee)
E Ratshikhopha (Chairman of the Social and Ethics Committee)

COMPANY SECRETARY
Merchantec Capital

DESIGNATED ADVISER
Merchantec Capital

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