

PSV

PSV HOLDINGS LIMITED

Reviewed Abridged Results

for the year ended 28 February 2009

PSV HOLDINGS LIMITED

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

JSE code: PSV ISIN: ZAE000078705 ("PSV" or "the Group")

Income statement for the year ended 28 February 2009

R'000	Reviewed 2009	Audited 2008
Revenue	430 865	298 618
Cost of sales	332 944	224 994
Gross profit	97 920	73 623
Operating expenses	64 542	43 479
Operating profit	33 379	30 145
Negative goodwill arising on acquisition of business combination	–	12 501
Financial income	7 862	1 021
Financial expenses	18 007	6 862
Profit before taxation	23 234	36 806
Taxation	6 686	8 329
Profit for the year	16 547	28 477
Profit for the year attributable to ordinary shareholders	16 547	28 477
<i>Note: Operating expenses includes depreciation, amortisation and is net of sundry income</i>		
Reconciliation to headline earnings	–	–
Profit for the year as above	16 547	28 477
Loss/(profit) on disposal of fixed assets	108	(62)
Negative goodwill written off arising on the acquisition of a business combination	–	(12 501)
Headline earnings	16 655	15 914
Reconciliation to core earnings	–	–
Headline earnings as above	16 655	15 914
Interest on deferred purchase consideration payable	1 342	2 102
Amortisation of specific intangibles	4 852	4 258
Deferred taxation provided on above	(1 358)	(1 235)
IFRS 2 charge arising on BEE transaction	–	1 513
Straight lining of leases	21	–
Core earnings	21 511	22 553
Basic earnings per share (cents)	7,02	14,22
Headline earnings per share (cents)	7,06	7,98
Core earnings per share	9,12	11,29
Diluted earnings per share (cents)	6,69	14,03
Diluted headline earnings per share (cents)	6,73	7,87
Actual number of shares in issue at year end	236 020	221 332
Weighted number of shares in issue at year end	235 784	200 269
Fully diluted weighted average number of shares in issue at year end	247 451	202 922

Balance sheet as at 28 February 2009

R'000	Reviewed 2009	Audited 2008
ASSETS		
Non-current assets	213 403	192 583
Property, plant and equipment	54 413	50 281
Intangible assets	34 569	23 614
Goodwill	117 153	111 817
Investment	8	–
Deferred taxation assets	6 417	6 564
Loans receivable	874	307
Current assets	149 724	155 046
Inventories	74 228	48 004
Trade and other receivables	75 496	77 437
Current portion of long-term assets	–	3 734
Cash and cash equivalents	–	25 871
Total assets	363 159	347 629
EQUITY AND LIABILITIES		
Shareholders' equity		
Ordinary shareholders' interest	230 890	202 457
Stated capital (Share capital)	260 605	252 475
Deferred equity consideration	9 917	2 254
Share-based payment reserve	1 513	1 513
Accumulated loss	(38 039)	(54 586)
Foreign currency translation reserve	(3 106)	801
Non-current liabilities	34 395	34 005
Borrowings	20 259	13 862
Purchase consideration payable	5 703	13 363
Deferred tax liabilities	8 432	6 780
Current liabilities	97 874	111 167
Trade and other payables	65 059	72 215
Current portion of long-term liabilities	23 398	31 698
Taxation payable	(1 840)	7 253
Bank overdrafts	2 759	–
Short-term loan	8 497	–
Total equity and liabilities	363 159	347 629

Statement of changes in equity for the year ended 28 February 2009

	Share capital	Share premium	Non-distributable reserves	Share based payment reserve	Revaluation reserve	Accumulated loss	Stated capital	Total
Balance at 28 February 2007	–	–	–	–	(440)	(83 063)	236 178	152 674
Issue of share to Vunani vendors	–	–	–	–	–	–	14 250	14 250
Issue of share to Mapi vendors	–	–	–	–	–	–	3 000	3 000
Issue of share to Dasher vendors	–	–	–	–	–	–	270	270
Odd lot shares issued	–	–	–	–	–	–	19	19
Share issue costs	–	–	–	–	–	–	(1 160)	(1 160)
Odd lot shares issue costs	–	–	–	–	–	–	(81)	(81)
Share based payment reserve – Vunani vendor	–	–	–	1 513	–	–	–	1 513
Deferred equity – Engineered Lining vendor	–	–	2 254	–	–	–	–	2 254
Net profit for the year	–	–	–	–	–	28 477	–	28 477
Opening retained income adjustment – PSV Zambia	–	–	–	–	–	–	–	–
Foreign translation reserve – PSV Zambia	–	–	–	–	1 241	–	–	1 241
Balance at 29 February 2008	–	–	2 254	1 513	801	(54 586)	252 475	202 457
Issue of shares	–	–	–	–	–	–	10 500	10 500
Share issue costs	–	–	–	–	–	–	(31)	(31)
Deferred equity – Engineered Lining vendor	–	–	7 663	–	–	–	–	7 663
Odd lot share buyback	–	–	–	–	–	–	(0)	(0)
Share buyback for Share Incentive scheme	–	–	–	–	–	–	(2 339)	(2 339)
Net profit for the year	–	–	–	–	–	16 547	–	16 547
Foreign translation reserve – PSV Zambia	–	–	–	–	(3 906)	–	–	(3 906)
Balance at 28 February 2009	–	–	9 917	1 513	(3 106)	(38 039)	260 605	230 890

Cash flow statement for the year ended 28 February 2009

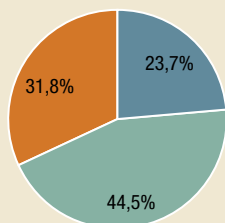
R'000	Reviewed 2009	Audited 2008
Cash flows from operations	(7 331)	10 317
Cash flows from investing activities	(36 846)	(39 772)
Cash flows from financing activities	10 709	34 360
(Decrease)/increase in cash and cash equivalents	(33 468)	4 906
Cash at acquisition of subsidiary	4 838	12 883
Cash and cash equivalents at beginning of the year	25 871	8 083
Cash and cash equivalents at end of the year	(2 759)	25 871

Segmental analysis for the year ended 28 February 2009

	Pump spares and valves	Linings and general industrial supplies	Specialised services	Total
Revenue	102 310	191 360	137 195	430 865
Gross profit	36 612	38 900	22 408	97 920
Operating expenses	19 007	22 971	18 472	60 451
Profit before tax	4 465	16 166	2 603	23 234
Depreciation/amortisation	3 547	3 752	3 036	10 334
Capital expenditure	(3 652)	(2 872)	(1 954)	(8 479)
Gross assets*	130 297	152 084	111 382	393 762
Gross liabilities	60 595	50 976	49 286	160 857

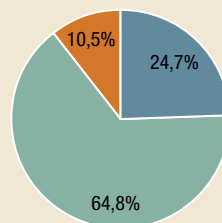
*Gross assets and liabilities exclude deferred tax assets and liabilities. Head office costs have been apportioned pro rata into the respective operating segments

Revenue



Pump spares
and valves
Linings and General
Industrial supplies
Specialised services

Profit before tax



Segmental analysis for the year ended 29 February 2008

	Pump spares and valves	Linings and general industrial supplies	Petro-chemical	Total
Revenue	93 117	90 699	114 802	298 618
Gross profit	34 261	20 614	18 749	73 623
Operating expenses	13 866	11 152	15 748	40 766
Profit before tax	20 622	11 203	4 980	36 806
Depreciation/amortisation	3 173	2 165	2 625	7 962
Capital expenditure	19 996	7 621	9 471	37 088
Gross assets	135 052	111 211	110 203	358 466
Gross liabilities	62 712	44 525	48 772	156 009

NATURE OF BUSINESS

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

Pumps, spares and valves.

Engineering linings and general industrial supplies.

Specialised services (including petrochemical and cryogenic activities).

ACCOUNTING POLICIES

These reviewed abridged results have been prepared in accordance with the recognition and measurement principals of International Financial Reporting Standards ("IFRS") and the presentation and the disclosure requirements of IAS 34 and are in compliance with Schedule 4 of the Companies Act and the Listings Requirements of the JSE Limited. The accounting policies followed are consistent with those used in the annual financial statements for the year ended 29 February 2008.

FINANCIAL REVIEW:

The Group experienced tough trading conditions particularly in the second half of the year. Gross and net margin reduction were primarily attributable to a change in the sales mix to lower margin products and services and margin sacrifice necessary to secure business. Operating expenditure as a percentage of revenue increased slightly to 14,98% (2008: 14,56%).

Meaningful comparison to the prior year's profit after tax should be on a core earnings basis. Core earnings eliminate the effects of amortisation of intangibles, straight lining of leases and expensing imputed interest on deferred purchase considerations. In this respect, core earnings decreased by 4,6% to R21 511 million (2008 – R22 553 million).

The Group achieved a 62,3% cash conversion ratio compared to 50,1% in the previous year. Despite the improved cash conversion ratio, the Group's cash flow from operations declined due to a substantial investment in stock required to underpin the 44% growth in turnover. The Group finished the year with a net overdraft of R2,8 million mainly as a result of amounts paid on investing activities of R37 million which was only partially offset by loans raised to fund these payments. The investing activities primarily related to the acquisition of plant and equipment and payments made to vendors of companies acquired.

Based upon a comprehensive evaluation of the Group's cash flows, PSV is satisfied that there are adequate working capital facilities available to fund the current level of business operations. Notwithstanding, the Group has a short term commitment to fund amounts due and payable to vendors of businesses acquired and other short term loans. In the event that the landra Industries Limited ("landra") transaction is successfully concluded, an issue of shares for cash will take place which will provide the necessary capital to settle these obligations. If the landra transaction does not materialise, the Group is investigating various other funding alternatives.

The Group's debt/equity ratio was 22,6% compared to 16,3% in the prior year, well within the Group's debt equity ratio limit of 40%. The current ratio improved to 1,53:1 from 1,39:1 in the previous year.

The Group's headline earnings per share reduced by 11,5% to 7,06 cents per share ("cps") (2008: 7,98 cps). The Group's core earnings per share decreased to 9,12 cps, down 19,2% compared to the previous year's 11,29 cps. The decline is partially attributable to shares issued during the year. The Group's balance sheet continued to strengthen as the net tangible asset value per share increased by 10,6% to 34,1 cps (2008: 30,8 cps) and net asset value per share by 6,9% to 97,8 cps (2008: 91,5 cps).

A detailed assessment of the Group's goodwill was undertaken at year end. In terms of this assessment, the carrying values of goodwill of the Group's various cash generating units were in line with the values reflected in the balance sheet. Accordingly, no impairment of goodwill was made. It should be noted that the cost of running the Group's head office has not been apportioned when determining the carrying value of the cash generating units. The carrying value of goodwill will be re-assessed when presenting the interim results for the period ending 31 August 2009 based upon market conditions and the performance of the cash generating units at that time.

BUSINESS COMBINATIONS

During the course of the year the Group acquired the shares in Rand Air and Gas Installations (Pty) Limited for R18 million. R5,1 million of the purchase price was funded out of internal cash resources. The next instalment of R6,3 million is due for payment on 15 June 2009. For the six months ended 28 February 2009 this subsidiary contributed R3,8 million after tax. An extrapolation of these results places the acquisition on a 2,4 price/earnings ratio.

On 1 February 2009 the Group acquired the business of Mather + Platt for a purchase consideration of R10 million. The acquisition contributed R0,25 million profit after tax for the one month prior to the financial year end. R9 million of the purchase price was funded with a two year term bank loan and R0,5 million is due and payable to the seller on 1 February 2010. Whilst the transaction was constructed essentially as a stock and asset purchase, PSV believes that the intellectual property acquired will place the new company at the forefront of the dewatering pump industry.

OPERATIONAL REVIEW

The Group produced a reasonable performance despite the prevailing tough trading conditions. PSV's focus on quality products and high levels of service delivery across all client categories has ensured acceptable revenue growth.

Within the Pumps, Spares and Valves segment, PSV Services and PSV Zambia, which concentrate on the manufacture of pumps and spares for primarily mining and water service clients outside of South Africa, performed well. The contract for Swirl Vane pumps has been signed and production according to special specifications has begun. A major achievement was the signing of PSV's first mechanical contract for a water treatment plant in Zambia.

APE Pumps has significantly outperformed all expectations, doubling in size since the acquisition and strong growth is expected to continue into the future.

Mather + Platt became part of the Group in January 2009 and the year ahead will see the company embark on a marketing drive to re-establish the Mather + Platt brand in the market place. Current marketing efforts are being well received.

Dasher, the valve and pump manufacturer, and Umzantsi Africa Pumps & Valves, the valve marketing business, have been incorporated into the Mather + Platt business in order to maximise the extraction of synergies.

Within the Engineering Linings and Industrial Supplies segment, Engineered Linings has performed exceptionally over the period as well as concluding the Group's largest contract ever. In addition the subsidiary has completed various contracts both in South Africa and abroad.

Groupline Projects continues to do well with glass, ceramic and plastic lining contracts being undertaken at mines and power stations.

Omnirapid Mining & Industrial Supplies has once again shown exceptional growth largely due to new client wins and superb client service and turnaround times.

The Specialised Services segment saw the acquisition of Rand Air & Gas Installations (Pty) Limited which has now been part of the Group for six months and has exceeded expectations. Integration into the Group was unflawed and has exposed the Group to a specialised niche business of cryogenics with recent wins in supply contracts to the cryogenic aftermarket.

Petrologic had a tough year with pressure on margins and from the devaluation of the Rand against the Euro. Petrologic managed to retain turnover levels but incurred a small loss for the year. Petrologic has embarked on a substantial restructuring programme to optimise resources and profitability, which should result in a significant contribution to the Group for the February 2010 year.

PROSPECTS

The Group expects to face challenging market conditions in the coming period and has adopted a conservative outlook. Despite this, the PSV Group of companies is solid and able to continue bidding on lucrative projects. The Group closed off the 2009 financial year with a strong order book of R150 million. PSV is well positioned to benefit from ongoing Government infrastructure spend and through new project growth outside of South Africa.

With new projects across the spectrum of the Group companies, diversity within the Group and quotes for new equipment requirements from clients, the Group is capable of filling all orders and contract requirements. The enhanced manufacturing capacity is complete and the new workshop capacity is close to completion, giving the Group spare capacity to meet growing demands.

CHANGES TO THE BOARD

On 26 November 2008 PSV announced the removal of non-executive director Mr LDS Thobajane. With effect from 11 December 2008, PSV welcomed Mr MM Patel as an independent non-executive director to the board. He is Chairman of the Risk Committee and a member of the Audit Committee.

DIVIDENDS

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

AUDITOR'S REPORT

The unmodified review report issued by KPMG Inc on the abridged financial statements contained in this report is available for inspection at the Group's registered office.

For and on behalf of the Board

AJD da Silva

Chief Executive Officer

19 May 2009

AR Dreisenstock

Financial Director

DIRECTORS

Executive Directors:

P Robinson* (Deputy Chairman), AJD da Silva (Chief Executive Officer), AR Dreisenstock (Financial Director), DJ Kelly*

Non-Executive Directors:

E Chimombe-Munyoro (Non-Executive Chairperson), JH Anderson*, E Dube (Alternate), GJV Shongwe, MM Patel

**British*

Company secretary:

Ithemba Governance and Statutory Solutions (Pty) Limited

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DESIGNATED ADVISER:

Vunani Corporate Finance
