

PSV lifts cash flow from operations dramatically

PSV Holdings Limited (“PSV” or “the Group”)

PSV Holdings, the diversified industrial engineering Group, enjoyed positive cash flow from operations for the first time in the Group’s history in the year ended 28 February 2010.

Abie da Silva, Chief Executive Officer of PSV, says that the groups focus on quality products and high levels of service delivery across all client categories has ensured that gross profit and operational margins have been substantially maintained, during these tough trading times.

Operational Review:

PSV comprises of three operating business segments:

- Pumps, spares and valves;
- Engineering linings and general industrial supplies; and
- Specialised services (including petrochemical and cryogenic activities).

In February 2009, PSV entered into an agreement with pump manufacturer Mather+Platt to acquire the business. The **Pumps, Spares and Valves segment** increased revenue by 9.6% to R112.1 million (2009: R102.2 million). “This is attributable to the inclusion of a full year of trading from our Mather+Platt subsidiary,” said Abie Da Silva, CEO of PSV.

Da Silva was pleased with the **Engineering Linings and General Industrial Supplies segment** performance with a 31% increase in gross profit margin to 26.6% (2009: 20.3%), mainly as a result of Engineered Linings completing many smaller but much more profitable jobs compared to the prior year.

Groupline Projects, the Group’s glass and ceramic lining business experienced the best year in the company’s history and have a full order book for 2011 with projects being awarded to Groupline Project from Eskom and other power stations around the country.

Omnirapid Mining & Industrial Supplies increased gross profit by harnessing group buying power.

The **Specialised Services segment** had a tough year experiencing a 9% reduction in turnover and a decrease in gross profit to R19 million (2009: R22.3 million). Rand Air and Gas was forced to cut margins in order to remain competitive and retain market share. Commenting on operating in Africa, Da Silva said, “We have good prospects in Zimbabwe on the back of an aggressive African marketing campaign and we have received orders in Mozambique.”

Press release – PSV Holdings Limited

Financial review:

Tough trading conditions, particularly in the second half of the year, resulted in a decrease in turnover by 13.6% to R372.2 million (2009: R403.9 million), tempered by a 23.1% increase in gross profit (2009: 22.7%). Despite gross profit decreasing by 8%, the overall gross profit margin increased to 24.2% compared to 22.7% in 2009.

Despite the harsh economic climate, the Group's EBIDA percentage was maintained at a satisfactory 9.1%.

Da Silva said, "We are very pleased by the positive cash flow of R24.5 million generated from operations compared to an operating loss of R2.6 million, in 2009." He continued, "The Group's cash flow cycle reduced from 82 days to 76 days primarily attributable to effective working capital management procedures being implemented."

PSV balance sheet strengthened as the net tangible asset value per share increased by 17.6% to 39.4 cps (2009:33.5cps).

"The PSV board decided to impair goodwill and specific intangibles' arising on the acquisition of the Group's various businesses by an amount of R98.5 million." Da Silva continued, "The impairment occurred because the goodwill attributable to the Group's various cash generating units was not in line with the values reflected in the balance sheet."

Changes to the Board:

In November 2009, the board appointed Mr GS Nzalo as an Independent Non-Executive Director, Chairman of the Risk Committee and member of the Audit Committee. Mr MM Patel was appointed Chairman of the Audit Committee on 28 August 2009.

Press release – PSV Holdings Limited

Prospects:

“Notwithstanding the tough economic conditions which are expected to continue in the coming six months, we have already experienced an increase in the number of orders placed and are expecting an improvement in trading conditions once Government recommences its infrastructural spend. The group has a current order book of R110 million with an additional R120 million in prospective orders,” concludes Da Silva.

-ENDS-

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