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")

Unaudited Condensed Consolidated Financial Results for the six months ended 31 August 2019

Condensed consolidated statement of comprehensive income

	Unaudited for the six months ended 31 Aug 2019	Unaudited for the six months ended 31 Aug 2018	Audited for the 12 months ended 28 Feb 2019
	R'000	R'000	R'000
Revenue	**84 379**	**120 130**	**237 533**
Gross profit	**10 942**	**15 075**	**28 216**
Operating expenses	**(15 510)**	**(15 520)**	**(31 500)**
Operating (loss)/profit	**(4 568)**	**(445)**	**(3 284)**
Net finance charges	**(560)**	**(953)**	**(1 821)**
Loss/(Profit) before taxation	**(5 127)**	**(1 398)**	**(5 105)**
Taxation	**1 523**	**389**	**6 382**
(Loss)/Profit for the period from continued operation	**(3 604)**	**(1 009)**	**1 277**
(Loss) from discontinued operation	**(4 142)**	**(2 282)**	**(26 572)**
(Loss)/Profit for the period attributable to ordinary shareholders	**(7 746)**	**(3 291)**	**(25 295)**
Other Comprehensive (loss)/income	-	(643)	(592)
Total comprehensive (loss)/profit for the period	**(7 746)**	**(3 934)**	**(25 887)**
(Loss)/Profit attributable to ordinary shareholders	(3 604)	(3 033)	1 277
Loss on disposal of property, plant and equipment net of tax	-	(3)	(49)
Loss on sale of disposal group	-	-	226
Deferred tax on (loss) on disposal of assets	-	1	14
Headline (loss)/profit – continued operations	**(3 604)**	**(1 001)**	**1 468**
(Loss) attributable to ordinary shareholders	(4 142)	(2 282)	(26 572)
(Profit) on disposal of property, plant and equipment net of tax	-	-	(2)
Deferred tax on profit on disposal of assets	-	-	1
Headline (loss) – discontinued operations	**(4 142)**	**(2 282)**	**(26 573)**
Headline (loss)/profit	**(7 746)**	**(3 293)**	**(25 105)**
Basic (loss)/earnings per share (cents)	**(1.90)**	**(1.25)**	**(7.71)**
Basis (loss)/earnings per share (cents) – continued operations	(0.89)	(0.38)	0.39
Basis (loss) per share (cents) – discontinued operations	(1.02)	(0.87)	(8.10)
Headline (loss)/earnings per share (cents)	**(1.90)**	**(1.25)**	**(7.65)**
Headline (loss)/earnings per share (cents) – continued operations	(0.89)	(0.38)	0.45
Headline (loss) per share (cents) – discontinued operations	(1.02)	(0.87)	(8.10)
Actual number of shares in issue at end of the period	**406 913 577**	**265 879 842**	**406 913 577**
Weighted number of shares in issue at end of the period	**406 913 577**	**263 810 429**	**328 206 846**

* Operating expenses are net of sundry income and include depreciation and amortisation charges.
There is no dilution of earnings

Condensed consolidated statement of financial position

	Unaudited 31 Aug 2019 R'000	Unaudited 31 Aug 2018 R'000	Audited 28 Feb 2019 R'000
ASSETS			
Non-current assets	**24 294**	**38 441**	**43 079**
Current assets	**42 978**	**49 980**	**52 830**
Inventory	13 977	8 432	6 497
Trade and other receivables	23 181	30 882	39 440
Loans receivable – Short term	-	186	210
Current assets held for sale	4 010		
Cash and cash equivalents	1 810	10 480	6 683
Right of use for lease assets	31 977	-	-
Non-current assets held for sale	**6 342**	**30 363**	**7 195**
Total assets	**105 591**	**118 784**	**103 104**
EQUITY AND LIABILITIES			
Equity	**19 310**	**23 868**	**27 056**
Non-current liabilities	**11 873**	**1 265**	**1 779**
Non-current Lease liabilities	**29 766**	**-**	**-**
Current liabilities	**53 600**	**51 401**	**67 115**
Billings in excess of work certified	-	-	-
Trade and other payables	30 977	38 496	45 231
Bank overdraft	19 299	10 136	20 437
Current portion of lease liabilities	835	250	695
Current Lease liabilities			
Provisions	2 489	2 519	752
Non-current liabilities held for sale	**10 352**	**42 250**	**7 154**
Total liabilities	**95 239**	**94 916**	**76 048**
Total equity and liabilities	**105 591**	**118 784**	**103 104**

Condensed consolidated statement of changes in equity

	Unaudited for the six months ended 31 Aug 2019 R'000	Unaudited for the six months ended 31 Aug 2018 R'000	Audited for the 12 months ended 28 Feb 2019 R'000
Balance at beginning of the period	**27 056**	**28 529**	**28 529**
Comprehensive (loss) /profit from trading for the period	**(7 746)**	**(3 291)**	**(25 295)**
Issue of Shares	**-**	**-**	**25 140**
(Costs) relating to specific shares issue	**-**	**(726)**	**(726)**
Revaluation surplus reversed	**-**	**(623)**	**(623)**
Comprehensive (loss)/profit from trading for the period from discontinued operations	**-**	**-**	**-**
Comprehensive (loss) from foreign currency fluctuations arising for the period	**-**	**(21)**	**31**
Balance at end of the period	**19 310**	**23 868**	**27 056**

Condensed consolidated statement of cash flows

	Unaudited for the six months ended 31 Aug 2019	Unaudited for the six months ended 31 Aug 2018	Audited for the 12 months ended 28 Feb 2019
	R'000	R'000	R'000
Net cash generated from/(used in) operating activities	**(20 642)**	**9 862**	**(20 348)**
Cash generated from/(used in) operations – continued operations	(24 587)	2 228	(1 527)
Cash generated from operations – discontinued operations	3 945	7 634	(18 821)
Net cash generated from investing activities	**(8)**	**4 009**	**1 329**
Cash generated from investing activities – continued operations	-	4 009	(18 818)
Cash generated from investing activities – discontinued operations	(8)	-	20 147
Net cash (used in) financing activities	**1 042**	**(5 529)**	**22 088**
Cash (used in) financing activities – continues operations	1 042	(1 859)	23 714
Cash (used in) financing activities – discontinues operations	-	(7 388)	(1 626)
Net movement in cash and cash equivalents	**15 874**	**8 342**	**3 069**
Net cash generated from/ (used in) operations – continued operations	17 525	8 096	3 368
Net cash (used in) operations – discontinued operations	(1 651)	(246)	(299)
Net cash and cash equivalents moved to assets/liabilities held for sale	**-**	**8 824**	**-**
(Cash balance) transferred to non-current assets held for sale	-	(514)	-
Bank overdraft transferred to non-current liabilities held for sale	-	9 338	-
Cash and cash equivalents at beginning of the period	**(13 754)**	**(16 822)**	**(16 823)**
Cash and cash equivalents at end of the period	**(17 489)**	**344**	**(13 754)**
Analysis of cash flow from operating activities			
Cash (used in) generated from operations after adjusting for non-cash flow expenditure and income	**(19 112)**	**(1 546)**	**3 517**
Changes in working capital			
(Increase)/decrease in inventories	(7 480)	(1 666)	(16 766)
(Increase) in trade and other receivables	16 259	19 188	(459)
(Decrease)/increase in trade and other payables	(14 254)	(6 114	11 479
	(24 587)	**9 862**	**(20 348)**
Taxation paid	**-**	**-**	**-**
Cash generated from/ (used in) operations	**(24 587)**	**9 862**	**(20 348)**

Condensed consolidated segmental information for the six months ended 31 August 2019

	Industrial Supplies R'000	Specialised Services R'000	Shared Services and Other R'000	**R'000**
Reportable Revenue	64 701	19 417	261	**84 379**
Gross profit	10 245	437	261	**10 942**
Operating expenses	4 174	8 776	2 560	**15 510**
Profit/(Loss) before tax	6 065	(9 116)	(2 076)	**(5 127)**
Profit/(Loss) after tax	**4 367**	**(7 661)**	**(4 452)**	**(7 746)**
Capital expenditure	-	-	-	**-**
Gross assets	**14 997**	**37 029**	**49 576**	**101 581**
Continued operations	14 997	37 029	49 576	**101 581**
Discontinued operations	-	-	-	**-**
Gross liabilities	**22 701**	**(74 064)**	**(45 253)**	**(96 616)**
Continued operations	22 701	(74 064)	(45 253)	**(96 616)**
Discontinued operations	-	-	-	**-**

Condensed consolidated segmental information for the six months ended 31 August 2018

	Industrial Supplies R'000	Specialised Services R'000	Shared Services and Other R'000	**R'000**
Reportable Revenue	85 216	34 914	-	**120 130**
Gross profit	10 934	4 095	(46)	**15 075**
Operating expenses	4 514	(3 909)	7 096	**(15 520)**
Profit/(Loss) before tax	6 381	(375)	(7 404)	**(1 398)**
Profit/(Loss) after tax	**4 595**	**(296)**	**(5 307)**	**(1 009)**
Capital expenditure	-	-	8	**8**
Gross assets	**32 256**	**41 057**	**45 471**	**118 784**
Continued operations	19 696	23 254	45 471	**88 421**
Discontinued operations	12 560	17 803	-	**30 363**
Gross liabilities	**(27 050)**	**(48 716)**	**(19 150)**	**(94 916)**
Continued operations	(18 196)	(16 161)	(18 309)	**(52 666)**
Discontinued operations	(8 854)	(32 555)	(841)	**(42 250)**

COMMENTARY

BASIS OF PREPARATION

The unaudited condensed consolidated financial results for the six months ended 31 August 2019 ("the interim results") have been prepared in accordance with the framework concepts, 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 ("JSE Listing Requirements") and the South African Companies Act, 2008 (Act 71 of 2008), as amended. The accounting policies and method of computation applied in preparation of these financial statements are in accordance with IFRS and are consistent with those applied in the annual financial statements for the 12 months ended 28 February 2019.

The interim results have been prepared under the supervision of the Chief Financial Officer, Roger Pitt CA (SA), and have not been audited or reviewed by the Group's auditors.

IFRS 16 ACCOUNTING CHANGE

The Group has adopted IFRS 16 'Leases' using the modified retrospective approach- thus no comparatives are required to be restated. The accounting policy aligns the financial reporting of leased assets with owned assets and requires our leasehold business to report under a freehold model. This introduces theoretical lease liabilities and assets, with implied interest and depreciation charges. Our leasehold strategy provides operational flexibility and enables debt and interest charges to be kept to a minimum.

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 interim period has been a period of restructuring and positioning the Group for growth going forward. This time has seen the Group consolidate its operations, raise debt funding and appoint a new board of Directors. The new empowered shareholding of DNG Energy Proprietary Limited ("DNG Energy") has given the Group a foundation from which it can become the leading and only empowered player in the Cryogenic Gas industry in South Africa.

DNG Energy has acquired 26% of the Group, resulting in PSV being more than 34% black owned. DNG Energy has acquired this shareholding in PSV as a vertical integration strategy to participate in the manufacture of cryogenic LNG ISO containers for their LNG business.

DNG Energy intends to build up a fleet of LNG ISO containers as part of DNG Energy's short-term strategy. These will be sourced and built by African Cryogenics ("AC"), providing AC with production demand and increasing the productivity of the manufacturing facility.

FINANCIAL RESULTS

Total loss after tax from operations was R7.7 million (Aug 2018: Loss after tax of R3.2 million). Headline loss per share was 1.90 cents per share ("cps") (Aug 2018: Headline loss per share of 1.25 cps).

Total cash flow from operating activities is negative at R22.3 million (Aug 2018: R20.3 million). The Company's net overdraft position increased to R17.4 million compared to R13.7 million in the previous year.

The Company's statement of financial position weakened due to the loss generated in the interim period. Tangible net asset value per share decreased to 1.98 cps (Aug 2018: 6.09 cps). The fair values of the long-term financial instruments approximate their carrying values due to the variable interest rate terms of the financial instruments. The directors consider the carrying values of the current financial instruments to approximate their fair value due to their short-term nature.

BLACK BROAD-BASED ECONOMIC EMPOWERMENT ("B-BBEE")

DNG's investment in PSV is a welcome first step in the PSV empowerment strategy. PSV is executing its B-BBEE strategy with the goal of being level 4 within three years.

OPERATIONAL REVIEW

Industrial Supplies

This segment contributed 76.68% (Aug 2018: 54.03%) to the Group's consolidated reportable segment revenue from continuing operations at an average gross profit margin of 93.63% (2018: 60.85%).

Their success remains cemented in outstanding service delivery and strong customer relationships, essential characteristics in a tough market.

Turbo Agencies is in the process of being sold. Refer to subsequent events below. The results of Turbo are being disclosed as a discontinued operation.

Specialised Services

Specialised Services contributed 23.01% (Aug 2018: 45.97%) to the Group's consolidated reportable segment revenue at an average gross profit margin of 3.99% (Aug 2018: 39.46%). The low profit margin is attributable to lower production levels, high fixed costs and a distressed economic environment.

Engineered Linings is still disclosed as a discontinued operation. The division is currently operating below budget and is loss-making. Lack of B-BBEE, limited working capital and operating in the civil construction industry are all contributing factors. The division has been restructured: the Cape Town office has been closed; the management has been changed and the strategy has been changed to focus on installation rather than material supply.

AC has had some great successes during the interim period, including the manufacture of the largest liquid oxygen road tanker ever built in South Africa. The revenue from this will only be seen going forward. The development and design required to finalise this job resulted in a lower Gross Profit margin, but positions AC to supply cryogenic road tankers to the South African market. We are hopeful that the recapitalisation of the Group and the introduction of a B-BBEE partner will revive the business's fortunes.

DIVIDENDS

No dividends were declared or proposed. (H1 2018: Nil) The Board reviews the dividend policy annually.

CHANGES TO THE BOARD

The following changes to the Board were effected during the period and after the period end:

- Mr Ian Smidt resigned as an executive director and Chief Financial Officer with effect from 31 March 2019;
- Mr Roger Pitt, an independent non-executive director, was appointed as an executive director and Chief Financial Officer with effect from 31 March 2019. His appointment as executive director and Chief Financial Officer was not approved by shareholders at the at the Annual General Meeting of PSV on 15 August 2019 ("2019 AGM"). He was re-appointed to the Board as executive director and Chief Financial Officer effective 27 September 2019. He then resigned as executive director and Chief Financial Officer effective 31 October 2019;
- Mr Douglas Lorimer was appointed as an independent non-executive director with effect from 17 May 2019. His appointment as independent non-executive director was not approved by shareholders at the 2019 AGM;
- Mr Anthony de la Rue's re-appointment as independent non-executive director was not approved by shareholders at the 2019 AGM;
- Mr Aldworth Mbalati was appointed as executive director effective 16 August 2019 and then as executive Chairman effective 5 September 2019;
- Mr Abilio da Silva was appointed as executive director effective 16 August 2019;
- Mr Phillip Pettersen was appointed as independent non-executive director effective 16 August and then subsequently resigned as independent non-executive director effective 7 October 2019;
- Mr Basil Kgaugelo Mashabane was appointed as lead independent non-executive director effective 5 September 2019;
- Mr Olivier Bernard was appointed as non-executive director effective 5 September 2019;
- Mr Carlos Fernandes, the current Interim Chief Executive Officer, resigned effective 31 October 2019 in order to revert to the role of non-executive director and then subsequently resigned as a director effective 26 November 2019;
- Mr Eric Ratshikhopha resigned as independent non-executive director of PSV effective 8 November 2019;
- Mr Boy Manqoba Ngubo was appointed as independent non-executive director of PSV effective 18 November 2019; and
- Ms Yvonne Thato Moerane was appointed as independent non-executive director of PSV effective 27 November 2019.

LITIGATION STATEMENT

There are no material matters under litigation against the Company at present.

GOING CONCERN

The group is solvent and its total assets exceed its liabilities. The pipeline of orders, revenue, operating activities and working capital are improving on a monthly basis. Noting the fact that the current liabilities exceed the current assets, the PSV board has agreed and confirmed to raise equity capital by way of a Claw Back Offer, if and when required. A further announcement will be made in due course.

No impairment of the existing goodwill was deemed necessary.

SUBSEQUENT EVENTS

Turbo Agencies Botswana ("TAB") is in the process of being sold. A sale agreement has been signed and the conditions are in the process being fulfilled. TAB will not form part of the Group by year end.

PROSPECTS

There will be a consolidation period under new management and bedding down the capital injection, building up the order book, but subsequent to DNG Energy's investment in PSV the Board is optimistic that the Group will grow into a leader in the South African gas industry.

For and on behalf of the Board
Aldworth Mbalati
Executive Chairman
Johannesburg
29 November 2019

DIRECTORS
Executive Directors:
Aldworth Mbalati (Executive Chairman); Abilio da Silva

Independent Non-Executive Directors:
Basil Mashabane (Lead Independent Director); Boy Manqoba Ngubo (Chairman of the Audit and Risk Committee); Ms Yvonne Thato Moerane

Non-Executive Directors:
Olivier Bernard.

COMPANY SECRETARY
Merchantec Capital

DESIGNATED ADVISER
Merchantec Capital

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