NVEST FINANCIAL HOLDINGS LIMITED AND ITS SUBSIDIARIES
(Incorporated in the Republic of South Africa)
(Registration number 2008/015990/06)
("NVest" or "the Company" or "the Group")
ISIN Code: ZAE000199865 JSE Code: NVE

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019 AND INTERIM DIVIDEND DECLARATION (NUMBER 10)

HIGHLIGHTS:

- Group Revenue of R141.9 million
- Assets under Management and Administration of R30.1 billion
- Group Net Profit After Tax of R31 261 858
- Headline Earnings Per Share of 10.18 cents
- Net Asset Value Per Share of 153.00 cents
- Net Tangible Asset Value Per Share of 124.26 cents
- Declaration of an interim dividend (and tenth dividend as a listed company) of 5.25 cents per share

Statement of Financial Position

Figures in Rands	Unaudited 31 August 2019	Audited 28 February 2019	Unaudited 31 August 2018
Assets			
Non-Current Assets			
Property, plant and equipment	71 599 921	47 487 774	43 321 844
Investment property	316 347 138	306 121 663	305 779 149
Right of use asset	687 403	-	-
Goodwill	87 008 312	87 008 312	87 008 312
Investment in associates	625 910	625 910	562 421
Deferred tax	2 820 537	2 280 922	2 955 941
Operating lease asset	7 954 876	6 906 762	7 602 947
Other financial assets	-	-	484 957
	487 044 097	**450 431 343**	**447 715 571**
Current Assets			
Loans to related parties	-	84 772	-
Loans to shareholders	-	28 547	36 361
Investments at fair value	38 542 979	36 865 109	-
Other financial assets	-	-	25 000 000
Operating lease asset	1 553 030	1 627 262	1 215 805
Current tax receivable	1 455 764	967 177	707 737
Trade and other receivables	15 932 064	22 550 323	28 971 518
Cash and cash equivalents	107 562 384	135 024 089	146 097 981
	165 046 221	**197 147 279**	**202 029 402**
Total Assets	**652 090 318**	**647 578 622**	**649 744 973**

Figures in Rands	Unaudited 31 August 2019	Audited 28 February 2019	Unaudited 31 August 2018
Equity and Liabilities			
Equity			
Share capital	324 779 200	324 779 200	324 779 200
Reserves	6 181 035	6 181 035	5 249 644
Retained income	132 178 276	120 348 317	104 963 431
Equity attributable to equity holders of parent	463 138 511	451 308 552	434 992 275
Non-controlling interest	1 910 604	2 283 980	1 460 925
	465 049 115	**453 592 532**	**436 453 200**
Liabilities			
Non-Current Liabilities			
Deferred tax	15 760 875	16 108 502	15 955 235
Lease liability	570 762	-	-
Borrowings	58 868 385	109 591 596	135 769 596
	75 200 022	**125 700 098**	**151 724 831**
Current Liabilities			
Current tax payable	1 171 639	325 437	2 076 211
Lease liability	200 414	-	-
Borrowings	76 298 619	32 593 609	12 462 929
Trade and other payables	34 170 509	35 366 946	47 027 802
	111 841 181	**68 285 992**	**61 566 942**
Total Liabilities	**187 041 203**	**193 986 090**	**213 291 773**
Total Equity and Liabilities	**652 090 318**	**647 578 622**	**649 744 973**

Statement of Comprehensive Income

Figures in Rands	Six months Unaudited 31 August 2019	Six months Unaudited 31 August 2018
Revenue	141 872 830	148 074 478
Cost of sales	(47 906 954)	(55 127 706)
Gross profit	**93 965 876**	**92 946 772**
Other income	709 908	3 141 890
Other operating losses	-	(1 614 551)
Movement in credit loss allowances	(48 480)	-
Operating expenses	(52 027 829)	(49 512 904)
Operating profit	**42 599 475**	**44 961 207**
Investment revenue	6 587 365	6 938 115
Finance costs	(6 620 354)	(6 962 258)
Profit before taxation	**42 566 486**	**44 937 064**
Taxation	(11 304 628)	(12 867 214)
Profit for the period ended	**31 261 858**	**32 069 850**
Other comprehensive income	-	375 163
Total comprehensive income	**31 261 858**	**32 445 013**
Total comprehensive income attributable to:		
Owners of the parent	30 811 634	32 065 858
Non-controlling interest	450 224	379 155
	31 261 858	**32 445 013**

Share information:

Weighted average number of shares	302 741 722	302 741 722
Earnings per share (cents)	10.18	10.59
Headline earnings per share (cents)	10.18	10.91
Net asset value per share (cents)	153.00	143.68
Net tangible asset value per share (cents)	124.26	114.94

Statement of Cash Flows

Figures in Rands	Six months Unaudited 31 August 2019	Six months Unaudited 31 August 2018
Cash flows from operating activities		
Cash generated from operations	48 052 174	52 397 093
Interest received	6 587 365	6 319 568
Dividends received	-	618 547
Finance costs	(6 620 354)	(6 962 258)
Tax paid	(11 810 799)	(11 384 792)
Net cash from operating activities	**36 208 386**	**40 988 158**
Cash flows (used in)/from investing activities		
Purchase of property, plant and equipment	(25 116 907)	(1 451 982)
Disposal of property, plant and equipment	-	20 433
Additional investments in current subsidiaries	-	(259 846)
Purchase of investment property	(10 225 475)	-
Purchase of investment in associate	-	(412 321)
Purchase of investments at fair value	(1 677 869)	-
Proceeds on disposal of financial assets	-	6 008 508
Net cash (used in)/from investing activities	**(37 020 251)**	**3 904 792**
Cash flows used in financing activities		
Dividends paid to non-controlling interests	(823 600)	(712 200)
Proceeds from loan to related party	84 772	-
Proceeds from shareholders' loans repaid	28 547	84,020
Dividends paid	(18 921 358)	(18 164 504)
Net movement in other financial liabilities	(7 018 201)	(5 820 994)
Net cash used in financing activities	**(26 649 840)**	**(24 613 678)**
Total cash movement for the 6 months	**(27 461 705)**	**20 279 272**
Cash at the beginning of the 6 months	135 024 089	125 818 709
Total cash at end of the 6 months	**107 562 384**	**146 097 981**

Statement of Changes in Equity

	Total stated capital	Revaluation reserve	Share based payment reserve	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
Balance at 1 March 2018	**324 779 200**	**4 464 136**	**410 345**	**91 437 239**	**421 090, 20**	**2 053 817**	**423,144,737**
Total comprehensive income for the 6 months	-	375 163	-	31 690 695	32 065 858	379 155	32 445 013
Acquisition from non-controlling interest	-	-	-	-	-	(259 846)	(259 846)
Dividends	-	-	-	(18 164 504)	(18 164 504)	(712 200)	(18 876 704)
Balance at 31 August 2018	**324 779 200**	**4 839 299**	**410 345**	**104 963 430**	**434 992 274**	**1 460 926**	**436 453 200**
Total comprehensive income for the 6 months	-	931 391	-	32 035 681	32 967 072	694 081	33 661 153
Acquisition from non-controlling interest	-	-	-	-	-	128 973	128 973
Dividends	-	-	-	(16 650 794)	(16 650 794)	-	(16 650 794)
Balance at 28 February 2019	**324 779 200**	**5 770 690**	**410 345**	**120 348 317**	**451 308 552**	**2 283 980**	**453 592 532**
IFRS 16 adoption	-	-	-	(60 317)	(60 317)	-	(60 317)
Total comprehensive income for the 6 months	-	-	-	30 811 634	30 811 634	450 224	31 261 858
Dividends	-	-	-	(18 921 358)	(18 921 358)	(823 600)	(19 744 958)
Balance at 31 August 2019	**324 779 200**	**5 770 690**	**410 345**	**132 178 276**	**463 138 511**	**1 910 604**	**465 049 115**

SEGMENT ANALYSIS

The following information relates to segment financial information of the group:

31 August 2019				
Figures in Rand	**Revenue**	**Profit Before tax**	**Assets**	**Liabilities**
Insurance broking	12 005 402	1 864 104	10 004 557	2 466 770
Wealth management	117 625 673	32 334 938	111 637 409	43 610 024
Administration of estates and trusts	2 467 053	894 198	2 968 346	1 386 251
Property services	27 160 854	2 530 739	402 218 095	322 021 978
Investments	44 748 382	39 001 263	359 414 859	1 033 830
Intercompany eliminations	(62 134 534)	(34 058 756)	(234 152 948)	(183 477 650)
	141 872 830	**42 566 486**	**652 090 318**	**187 041 203**

31 August 2018				
Figures in Rand	**Revenue**	**Profit before tax**	**Assets**	**Liabilities**
Insurance broking	10 787 501	1 571 912	8 450 955	1 961 597
Wealth management	134 966 367	34 442 449	115 493 089	56 819 202
Administration of estates and trusts	2 502 570	975 754	3 151 637	1 531 454
Property services	27 515 613	2 285 450	373 750 277	287 992 018
Investments	38 108 309	29 691 981	336 155 896	348 927
Intercompany eliminations	(65 805 882)	(24 030 482)	(187 256 881)	(135 361 425)
	148 074 478	**44 937 064**	**649 744 973**	**213 291 773**

COMMENTARY

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies and method of measurement and recognition applied in the preparation of these condensed unaudited consolidated interim results are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the previous year ended 28 February 2019, except for the adoption of IFRS 16 Leases, which became effective for years beginning on or after 1 January 2019. The unaudited consolidated interim results are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act, 71 of 2008.

The unaudited consolidated interim results are presented in terms of the minimum disclosure requirements set out in International Accounting Standards ("IAS") 34 – Interim Financial Reporting, as well the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The results were prepared by an independent compiler, Professor Sean Weldon CA(SA) M Comm (Acc), in conjunction with the Financial Director, Mr Charl Herselman CA(SA).

Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the Group's external auditors.

The directors of NVest ("the Board") take full responsibility for the preparation of the interim report.

RECONCILIATION OF HEADLINE EARNINGS PER SHARE

	Group	
Figures in Rands	**Six months Unaudited 31 August 2019**	**Six months Unaudited 31 August 2018**
Earnings attributable to equity holders of the parent	30 811 634	32 065 858
Fair value adjustments of investment property	-	1 614 551
Property revaluation gain	-	(375 163)
Loss on disposal of property, plant and equipment	-	5 550
Taxation effect	-	(279 177)
Headline earnings attributable to equity holders of the parent	**30 811 634**	**33 031 619**
Per share information:		
Weighted average number of shares	302 741 722	302 741 722
Earnings per share	10.18	10.59
Headline earnings per share (cents)	10.18	10.91

COMMENTARY

NVest is in its fifth year of trading as a listed Financial Services company, having been in operation as a private company through its NFB advisory business since 1987.

The Group has three core business operations - Private Wealth Management, Stockbroking and Asset Management. These businesses are complemented by a Short-Term Insurance brokerage, an Estates and Trusts subsidiary and a Commercial Property business.

The long-term ambition of NVest is to become a market-leading Wealth Management Group of national significance with distribution across South Africa. The strategy to achieve that ambition is through controlled organic and acquisitive growth, executed efficiently, that will elevate earnings, unlock operational efficiencies and ensure sustainability.

NVest has struggled to sustain its previous financial results for the period under review due largely to material market headwinds and very testing operating conditions. The investment environment over the last 6 months has been the most challenging for several years. General investor confidence and market performance have been at all-time lows and this has had a significant impact on NVest's overall performance.

As headline indicators of this environment:

- trading volumes on the JSE have been down some 39% for H1 2019 compared with H1 2018
- the average market level for the JSE Capped Swix was down 6.7% in H1 2019 compared with H1 2018.
- the average MSCI World Index level was flat and the average USD/ZAR exchange rate has been 14% weaker for the period under review.

As a consequence, and in broad alignment with the market, NVest has not maintained the steady incremental growth of previous reporting periods.

Assets under Management and Administration have decreased slightly to R30.1 billion (R30.3 billion as at 31 August 2018). Whilst NVest continues to attract new asset flows this decrease in overall value is directly attributable to poor market conditions and fluctuations in the USD/ZAR exchange rate which have had an adverse impact. Revenue (down 4.2% to R141.9 million compared with R148.1 million as at 31 August 2018) and Net Profit (down 2.5% to R31 261 858 compared with R32 069 850 as at 31 August 2018) also reflect the negative operating conditions.

The underlying business subsidiaries of Insurance, Estates and Property Services have performed admirably, maintaining either flat or positive contributions to overall Group Revenue compared with 31 August 2018 whereas the decrease in revenue from Private Wealth Management (R117 625 673 compared with R134 966 367 as at 31 August 2019) is the primary cause for the overall regression in Group revenue.

NFB AM International in Mauritius (a subsidiary of the Mauritian-domiciled Strategic Investment Partners Group of Companies in which NFB Asset Management Pty Limited holds a 30% equity stake), continues to perform ahead of schedule and has now surpassed R1 billion of assets under management.

During the period under review, NVest took transfer of two Units of a Commercial Property Development in Illovo Point, Sandton, Johannesburg. One of the units is owner-occupied and the other is an investment property, hence the increase in both Property, plant and equipment and Investment Property from 28 February 2019.

Other Financial Assets (current asset) for the period ended 31 August 2018 included a loan granted, which was subsequently repaid.

Investments at Fair Value principally comprise funds invested with Sanlam Collective Investments, which are available on demand and form part of the Group's surplus funds.

Borrowings comprise Mortgage bonds on properties owned and Commercial Notes. A number of Commercial Notes mature within the next 12 months, which has resulted in the reclassification of a portion of the Borrowing as Current Liabilities.

The adoption of IFRS 16 resulted in the following entry being passed at 1 March 2019:

Debit	Retained Earnings	R60 317
	Right of Use Asset	R687 403
	Deferred Tax Asset	R23 456
Credit	Lease Liability	(R771 176)

Whilst Headline Earnings Per Share decreased by 6.7% from 10.91 cents to 10.18 cents there was an increase of 6.5% in Net Asset Value Per Share to 153.00 cents (143.68 cents as at 31 August 2018).

NVest has been swift and decisive in adapting to the tough operating conditions, with renewed investment in marketing and an increased focus on communicating and engaging with clients to identify opportunities. These initiatives will take time to bear fruit in coming months and reporting periods.

PROSPECTS

Notwithstanding the tough operating conditions, the Group continues to demonstrate its resilience and provides consistently attractive returns for shareholders. This underlying performance bears testimony to the Group's business model, its diverse income streams and market position in its core revenue generating businesses. The business remains highly cash generative with a strong base of annuity earnings.

The Group is well positioned to capitalise on and take advantage of an upward turn in the South African economy. The operating margin of the Group is expected to improve as and when the investment sentiment, environment and markets become more attractive.

The Group has positive operating cash flows and substantial capital reserves to leverage from and the Board and Management remain committed to investing in the organic and acquisitive growth of the Group to create a sustainable, long-term business which generates meaningful returns for all its stakeholders.

The acquisitive growth agenda of the Group remains a priority. Focus in this regard will be on strengthening market share and distribution channels and footprint of existing business operations as well as diversification opportunities within the broader financial services sector.

ACQUISITIONS, DISPOSALS, ISSUE AND REPURCHASE OF SHARES
There were no acquisitions or disposals, nor an issue or repurchase of shares, during the period under review.

RELATED PARTIES
There were no transactions with related parties during the period under review that were material to the interpretation of the results for the period under review.

CHANGES TO THE BOARD
The following changes were made to the Board of Directors during the period under review and subsequent to the date of this report:

- Glenn Wayne Orsmond resigned from the Board with effect from 1 May 2019.
- Charl Herselman was appointed to the Board in the capacity of Interim Financial Director with effect from 1 November 2019.

DIVIDEND DECLARATION
The Board has declared an interim dividend (Number 10) of 5.25 cents per share, which amounts to 51.6% of headline earnings. The dividend is declared out of income reserves of the Group. The dividend will be subject to a dividend withholding tax rate of 20% or 1.05 cents per ordinary share. Shareholders, unless exempt or qualifying for a reduced withholding tax rate, will receive a net dividend of 4.20 cents per share. NVest's tax reference number is 9053981180.

The number of ordinary shares which will be eligible for the dividend at the declaration date is 302 741 722. The salient dates for the dividend will be as follows:

	2019
Last date to trade "cum" dividend	Tuesday, 3 December
Shares commence trading "ex" dividend	Wednesday, 4 December
Record date (date shareholders recorded in share register)	Friday, 6 December
Payment date	Monday, 9 December

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 4 December 2019 and Friday, 6 December 2019, both dates inclusive.

For and on behalf of the Board

Anthony Godwin
Chief Executive Officer

Charl Herselman CA(SA)
Financial Director

East London
19 November 2019

Executive Directors:
Anthony Godwin (Chief Executive Officer)
Charl Herselman (Financial Director)
Christopher Lemmon
Michael Estment

Non-executive Directors:
Jonathan Goldberg# (Chairperson)
Lana Weldon#
Dylan Schemel
Lusanda Mangxamba#
Brendan Connellan

 # - independent

Company Secretary:
Brendan Connellan

Designated Advisor:
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