**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 2020 AND INTERIM DIVIDEND DECLARATION (NUMBER 12)

**HIGHLIGHTS**:

- Group Revenue increased by 1.8% to R 144.4 million (R 141.9 million as at 31 August 2019).
- Assets under Management and Administration increased by 3.4% to R31.1 billion (R30.1 billion as at 31 August 2019).
- Group Net Profit After Tax decreased by 8.7% to R 28,548,462 (R 31,261,858 as at 31 August 2019).
- Headline Earnings Per Share increased by 32.7% from 10.18 cents to 13.51 cents.
- Net Asset Value Per Share increased by 6.1% to 162.38 cents (153 cents as at 31 August 2019).
- Net Tangible Asset Value Per Share increased by 7.6% to 133.69 cents (124.26 cents as at 31 August 2019).
- Declaration of an interim dividend (and twelfth dividend as a listed company) of 5.50 cents per share which represents a 4.8 % increase on the 5.25 cents dividend for the same period last year.

## STATEMENT OF FINANCIAL POSITION

| Figures in Rands | Unaudited 31 August 2020 | Audited 29 February 2020 | Unaudited 31 August 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 75,146,031 | 73,382,198 | 71,599,921 |
| Investment property | 261,006,114 | 274,255,654 | 316,347,138 |
| Right of use asset | 1,045,839 | 1,088,818 | 687,403 |
| Goodwill | 87,008,312 | 87,008,312 | 87,008,312 |
| Investment in associates | 1,017,583 | 459,554 | 625,910 |
| Loans to directors, managers and employees | 910,000 | 910,000 | - |
| Operating lease asset | 3,642,502 | 2,391,485 | 7,954,876 |
| Deferred tax | 6,894,484 | 2,646,100 | 2,820,537 |
| | **436,670,865** | **442,142,121** | **487,044,097** |
| **Current Assets** | | | |
| Loans to related parties | 73,559 | 47,391 | - |
| Investments at fair value | 5,573,964 | 36,689,681 | 38,542,979 |
| Operating lease asset | 1,523,814 | 3,274,435 | 1,553,030 |
| Current tax receivable | 4,816,650 | 1,229,610 | 1,455,764 |
| Trade and other receivables | 23,951,189 | 20,947,667 | 15,932,064 |
| Cash and cash equivalents | 189,609,815 | 159,471,432 | 107,562,384 |
| | **225,548,991** | **221,660,216** | **165,046,221** |
| **Total Assets** | **662,219,856** | **663,802,337** | **652,090,318** |

| Figures in Rands | Unaudited 31 August 2020 | Audited 29 February 2020 | Unaudited 31 August 2019 |
|---|---|---|---|
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 326,154,200 | 326,154,200 | 324,779,200 |
| Reserves | 6,913,560 | 7,056,544 | 6,181,035 |
| Retained income | 159,343,222 | 150,768,811 | 132,178,276 |
| Equity attributable to equity holders of parent | 492,410,982 | 483,979,555 | 463,138,511 |
| Non-controlling interest | 1,877,038 | 2,437,299 | 1,910,604 |
| | **494,288,020** | **486,416,854** | **465,049,115** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Deferred tax | 8,780,213 | 11,109,433 | 15,760,875 |
| Lease liability | 1,304,371 | 1,339,550 | 570,762 |
| Borrowings | 65,429,169 | 64,204,376 | 58,868,385 |
| | **75,513,753** | **76,653,359** | **75,200,022** |
| **Current Liabilities** | | | |
| Current tax payable | 6,095,519 | 1,849,782 | 1,171,639 |
| Lease liability | 134,091 | 126,560 | 200,414 |
| Borrowings | 53,669,402 | 61,496,917 | 76,298,619 |
| Trade and other payables | 32,519,071 | 37,258,865 | 34,170,509 |
| | **92,418,083** | **100,732,124** | **111,841,181** |
| **Total Liabilities** | **167,931,836** | **177,385,483** | **187,041,203** |
| **Total Equity and Liabilities** | **662,219,856** | **663,802,337** | **652,090,318** |

**Share information:**

| | | |
|---|---|---|
| Shares in issue at period end | 303,241,722 | 302,741,722 |
| Net asset value per share (cents) | 162.38 | 153.00 |
| Net tangible asset value per share (cents) | 133.69 | 124.26 |

**STATEMENT OF COMPREHENSIVE INCOME**

| Figures in Rands | Six months Unaudited 31 August 2020 | Six months Unaudited 31 August 2019 |
|---|---|---|
| Revenue | 144,360,015 | 141,872,830 |
| Cost of sales | -47,309,815 | -47,906,954 |
| Gross profit | **97,050,200** | **93,965,876** |
| Other income | 847,637 | 709,908 |
| Other operating losses | -16,534,957 | - |
| Movement in credit loss allowances | -417,731 | -48 480 |
| Operating expenses | -51,204,695 | -52,027,829 |
| Operating profit | **29,740,454** | **42,599,475** |
| Investment revenue | 5,592,082 | 5,878,571 |
| Income from equity accounted investments | 2,611,683 | 708,794 |
| Finance costs | -5,140,851 | -6,620,354 |
| Profit before taxation | **32,803,368** | **42,566,486** |
| Taxation | -4,254,906 | -11,304,628 |
| Profit for the period ended | **28,548,462** | **31,261,858** |
| Other comprehensive income | -142,984 | - |
| Total comprehensive income | **28,405,478** | **31,261,858** |
| | | |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 28,142,141 | 30,811,634 |
| Non-controlling interest | 263,337 | 450,224 |
| | **28,405,478** | **31,261,858** |

**Share information:**

| | | |
|---|---|---|
| Weighted average number of shares | 303,241,722 | 302,741,722 |
| Earnings per share (cents) | 9.28 | 10.18 |
| Headline earnings per share (cents) | 13.51 | 10.18 |

## STATEMENT OF CASH FLOWS

| Figures in Rands | Six months Unaudited 31 August 2020 | Six months Unaudited 31 August 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 32,803,368 | 42,566,486 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 1,112,410 | 1,004,760 |
| Interest received | -3,681,412 | -5,878,571 |
| Income from equity accounted associates | -2,611,683 | -708,794 |
| Fair value loss on investment property | 13,759,049 | - |
| Fair value loss on investment at fair value | 2,775,908 | - |
| Finance costs | 5,140,851 | 6,620,354 |
| Movements in operating lease assets | 499,604 | -973,882 |
| Movements in right of use assets and lease liabilities | 15,330 | - |
| **Changes in working capital:** | | |
| Trade and other receivables | -3,003,522 | 6,618,258 |
| Trade and other payables | -4,739,793 | -1,196,437 |
| **Cash generated from operations** | **42,070,110** | **48,052,174** |
| Interest received | 3,681,412 | 5,878,571 |
| Dividends received | 1,910,670 | 708,794 |
| Finance costs | -5,140,851 | -6,620,354 |
| Tax paid | -10,173,813 | -11,810,799 |
| **Net cash from operating activities** | **32,347,528** | **36,208,386** |
| **Cash flows from/(used in) investing activities** | | |
| Purchase of property, plant and equipment | -2,876,243 | -25,116,907 |
| Purchase of investment property | -509,509 | -10,225,475 |
| Purchase of investments at fair value | -8,202,531 | -1,677,869 |
| Disposal of investments at fair value | 36,542,340 | - |
| **Net cash from/(used in) investing activities** | **24,954,057** | **-37,020,251** |
| **Cash flows used in financing activities** | | |
| Dividends paid to non-controlling interests | -823,600 | -823,600 |
| Proceeds from loan to related party | - | 84,772 |
| Advance of loan to related party | -26,168 | - |
| Proceeds from shareholders' loans repaid | - | 28,547 |
| Dividends paid | -19,710,712 | -18,921,358 |
| Repayment of borrowings | -6,602,722 | -7,018,201 |
| **Net cash used in financing activities** | **-27,163,202** | **-26,649,840** |
| **Total cash movement for the 6 months** | **30,138,383** | **-27,461,705** |
| Cash at the beginning of the 6 months | 159,471,432 | 135,024,089 |
| **Total cash at end of the 6 months** | **189,609,815** | **107,562,384** |

**STATEMENT OF CHANGES IN EQUITY**

| | Total stated capital | Foreign currency translation reserve | 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 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** |
| IFRS 16 adoption | - | - | - | - | -158,560 | -158,560 | - | -158,560 |
| Total comprehensive income for the 6 months | - | 391,462 | 484,047 | - | 34,669,283 | 35,544,792 | 526,695 | 36,071,487 |
| Issue of shares | 1,375,000 | - | - | - | - | 1,375,000 | - | 1,375,000 |
| Dividends | - | - | - | - | -15,920,190 | -15,920,190 | - | -15,920,190 |
| **Balance at 29 February 2020** | **326,154,200** | **391,462** | **6,254,737** | **410,345** | **150,768,809** | **483,979,553** | **2,437,299** | **486,416,852** |
| Total comprehensive income for the 6 months | - | -142,984 | - | - | 28,285,125 | 28,142,141 | 263,339 | 28,405,480 |
| Dividends | - | - | - | - | -19,710,712 | -19,710,712 | -823,600 | -20,534,312 |
| **Balance at 31 August 2020** | **326,154,200** | **248,478** | **6,254,737** | **410,345** | **159,343,222** | **492,410,982** | **1,877,038** | **494,288,020** |

**SEGMENT ANALYSIS**

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

| **31 August 2020** | | | | |
|---|---|---|---|---|
| **Figures in Rand** | **Revenue** | **Profit Before tax** | **Assets** | **Liabilities** |
| Insurance broking | 11,103,166 | 1,381,979 | 15,901,465 | 7,132,932 |
| Wealth management | 124,774,223 | 46,766,855 | 199,690,742 | 107,567,546 |
| Administration of estates and trusts | 1,989,332 | 344,701 | 5,196,950 | 3,881,234 |
| Property services | 21,616,545 | -15,947,509 | 202,131,424 | 129,398,504 |
| Investments | 38,750,704 | 29,194,985 | 378,430,062 | 26,681,254 |
| Intercompany eliminations | -53,873,955 | -28,937,643 | -139,130,787 | -106,729,634 |
| | **144,360,015** | **32,803,368** | **662,219,856** | **167,931,836** |

| **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** |

**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 29 February 2020. 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, Mr Sean Weldon CA(SA) M Comm (Acc), in conjunction with the Group 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 2020** | **Six months Unaudited 31 August 2019** |
| Earnings attributable to equity holders of the parent | 28,142,141 | 30,811,634 |
| Fair value adjustments of investment property | 16,534,957 | - |
| Tax on fair value adjustment – Investment property | -3,703,830 | - |
| Headline earnings attributable to equity holders of the parent | **40,973,268** | **30,811,634** |
| **Per share information:** | | |
| Weighted average number of shares | 303,241,722 | 302,741,722 |
| Earnings per share | 9.28 | 10.18 |
| Headline earnings per share (cents) | 13.51 | 10.18 |

**COMMENTARY**

NVest is now in its 6th year of trading as a listed Financial Services company, having been in operation as a private company through its NFB advisory business since 1987.

Since 31 December 2019, the spread of COVID-19 has severely impacted economies around the globe. In response to the spread of the pandemic National Lockdown restrictions were implemented in South Africa from 27 March 2020, one month into NVest's period under review. These Lockdown restrictions were only eased towards the end of this reporting period, and therefore had a material bearing on operating conditions.

Despite the unprecedented challenges that the pandemic and ensuing National Lockdown have brought, the Group has performed admirably, and these results are testament to the resilience of the underlying businesses.

NVest Properties Limited, the commercial property portfolio company, is the entity within the Group that has been most adversely affected by the impact of COVID. The COVID restrictions have resulted in growing vacancies across the property portfolio and several rental concessions were entered into to ensure the sustainability of certain tenant relationships. These conditions have resulted in a downward fair value adjustment on its commercial properties of R13,759,049. The other underlying businesses in the Group, namely Insurance Broking and Administration of Estates and Trusts were also affected, but to a far lesser extent.

The Group's primary income source remains the Private Wealth Management business and this division has not been materially impacted by the pandemic, as clients have continued to contribute to savings, investments and policies during this period. Revenue for the period from this division increased from R117,625,673 for the period ended 31 August 2019 to R124,774,223 for the period ended 31 August 2020.

On 1 June 2020, an amalgamation of three of the Group's Private Wealth Management Companies took place. NFB Finance Brokers (Port Elizabeth) (Pty) Ltd and NFB Finance Brokers (Gauteng) (Pty) Ltd amalgamated with NFB Private Wealth Management (Pty) Ltd ("the Amalgamation") and have traded as a single entity from this date. The Amalgamation has created greater scale and has allowed for certain cost saving synergies, evidenced by the 1.6% decrease in operating expenses for the period when compared to the same period in the previous year. The Amalgamation has also provided an opportunity for the consolidated Private Wealth Management business to streamline internal processes, which should translate into even better client service and efficiencies going forward.

Assets under Management and Administration have increased slightly from R30.1 billion (as at 31 August 2019) to R31.1 billion at 31 August 2020, despite the prevailing market turbulence and volatility as a result of COVID. The increase of 3.4% in Assets under Management and Administration has directly contributed to the 1.8% increase in Group Revenue for the period.

Income from equity accounted investments increased substantially by 268%, albeit off a low base, following the expansion of the operations in Mauritius.

Whilst Earnings Per Share decreased by 8.8% from 10.18 cents to 9.28 cents at 31 August 2020 primarily due to the downward fair valuation on the property portfolio included under Other Operating Losses, there was an increase of 32.7% in Headline Earnings Per Share ("HEPS") to 13.51 cents from 10.18 cents as at 31 August 2019 and an increase of 6.1% in Net Asset Value Per Share to 162.38 cents from 153 cents as at 31 August 2019.

A Trading Statement was issued recently in respect of the Group's HEPS. The HEPS for the current period has been impacted by two items – namely the fact that there was no fair value adjustment on the commercial properties for the interim period in the prior year and the fact that the current period's fair value adjustment has resulted in a credit to taxation in the Statement of Comprehensive Income, increasing the Group's Headline Earnings.

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. This strategy remains in place despite the unprecedented operating conditions of the last nine months.

**PROSPECTS**

The Board and Executive Management team remain positive about the Groups prospects going forward. NVest continues to demonstrate its resilience despite challenging conditions and consistently provides 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 any upward turn in the South African economy and global markets. 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.

**RELATED PARTIES**

There were no transactions with related entities or parties that would be material to an understanding of these results.

**SHARE ISSUES, REPURCHASES, ACQUISITIONS AND DISPOSALS**

There were no share issues or repurchases during the period under review. Similarly, there were no acquisitions or disposals during the period under review.

**CHANGES TO THE BOARD**

There were no changes made to the Board of Directors during the period under review and subsequent to the date of this report.

**DIVIDEND DECLARATION**

The Board has declared an interim dividend (Number 12) of 5.50 cents per share, which amounts to 40.7% 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 1.10 cents per ordinary share. Shareholders, unless exempt or qualifying for a reduced withholding tax rate, will receive a net dividend of 4.40 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 303 241 722. The salient dates for the dividend will be as follows:

| | **2020** |
|---|---|
| Last date to trade "cum" dividend | Tuesday, 1 December |
| Shares commence trading "ex" dividend | Wednesday, 2 December |
| Record date (date shareholders recorded in share register) | Friday, 4 December |
| Payment date | Monday, 7 December |

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday 2 December 2020 and Friday 4 December 2020, both dates inclusive.

For and on behalf of the Board

Anthony Godwin
Chief Executive Officer

Charl Herselman CA(SA)
Group Financial Director

**East London**
26 November 2020

**Executive Directors:**
Anthony Godwin (Chief Executive Officer)
Brendan Connellan (Chief Operations Officer)
Charl Herselman (Group Financial Director)
Christopher Lemmon
Michael Estment

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

***# - independent***

**Company Secretary:**
Brendan Connellan

**Designated Advisor:**
AcaciaCap Advisors Proprietary Limited

**Transfer Secretaries:**
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Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051 Marshalltown, 2107)

**Registered Office:**
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