COGNITION HOLDINGS LIMITED
Incorporated in the Republic of South Africa
(Registration number 1997/010640/06)
Share code: CGN ISIN: ZAE000197042
("Cognition" or "the Group" or "the Company")

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2019 AND DIVIDEND DECLARATION

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rands	Change	Reviewed as at 30 June 2019	Audited as at 30 June 2018
Assets			
Non-Current Assets			
Property, plant and equipment	10.99%	17 157 487	15 458 706
Goodwill	371.78%	143 098 219	30 331 527
Intangible assets	-3.89%	13 325 386	13 864 618
Investment in associates	-6.22%	4 320 080	4 606 523
Deferred tax asset	78.91%	1 894 890	1 059 138
	175.25%	**179 796 062**	**65 320 512**
Current Assets			
Trade and other receivables	-2.53%	50 616 847	51 930 148
Current tax receivable	502.20%	955 261	158 629
Cash and cash equivalents	18.25%	123 439 929	104 390 853
	11.84%	**175 012 037**	**156 479 630**
Total Assets	59.97%	**354 808 099**	**221 800 142**
Equity and Liabilities			
Equity			
Share capital	226.08%	182 967 544	56 110 451
Equity due to change in ownership	0.00%	(12 892 945)	(12 892 945)
Retained income	6.01%	112 455 802	106 081 816
	89.24%	282 530 401	149 299 322
Non-controlling interest		15 418 999	752 875
	98.56%	**297 949 400**	**150 052 197**
Liabilities			
Non-Current Liabilities			
Deferred tax	-39.55%	1 333 688	2 206 411
Other financial liabilities		-	872 483
Cash-settled share-based liability	100.00%	1 117 677	-
	-20.38%	**2 451 365**	**3 078 894**

Current Liabilities			
Interest bearing liabilities		-	372 335
Provisions	5.54%	1 983 764	1 879 550
Trade and other payables	4.91%	38 739 857	36 925 778
Other financial liabilities		-	1 600 000
Current tax payable	-69.68%	638 516	2 105 929
Dividend payable	12.18%	209 874	187 082
Third party prize money	-49.86%	12 835 323	25 598 377
	-20.77%	**54 407 334**	**68 669 051**
Total Liabilities	-20.75%	**56 858 699**	**71 747 945**
Total Equity and Liabilities	59.97%	**354 808 099**	**221 800 142**
Net asset value per share (cents)	6.97%	116.05	108.49
Net tangible asset value per share (cents)	-32.17%	51.80	76.37
Shares in issue	76.91%	243 449 131	137 615 798

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Rands	**Change**	**Reviewed for the year ended 30 June 2019**	**Audited for the year ended 30 June 2018**
Revenue	36.27%	215 148 998	157 884 398
Cost of services	-3.89%	(59 824 046)	(62 244 072)
Gross profit	**62.41%**	**155 324 952**	**95 640 326**
Other operating income	-61.92%	2 819 203	7 402 424
Other operating losses	-96.77%	(64 174)	(1 984 239)
Operating expenses	183.76%	(52 091 559)	(18 357 330)
Staff costs	48.88%	(78 290 410)	(52 587 169)
Impairment of Goodwill		(2 008 821)	-
Depreciation and amortisation expense	-5.32%	(7 243 420)	(7 650 338)
Operating profit	**-17.89%**	**18 445 771**	**22 463 674**
Investment income	11.04%	7 180 703	6 466 943
Income from equity accounted investments	-19.69%	381 138	474 580
Finance costs	-82.26%	(174 447)	(983 365)
Profit before taxation	**-9.11%**	**25 833 165**	**28 421 832**

Taxation	11.90%	(8 755 785)	(7 824 846)
Total comprehensive income for the year	-17.09%	**17 077 380**	**20 596 986**
Profit for the year attributable to:			
Owners of the parent	**-28.66%**	**14 630 934**	**20 509 630**
Non-controlling interest		**2 446 446**	**87 356**
	-17.09%	**17 077 380**	**20 596 986**
Basic and Diluted earnings per share (cents)	**-45.17%**	8.17	14.90
Headline and Diluted Headline earnings per share (cents)	**-37.43%**	9.31	14.88
Weighted Average Shares in Issue		**179 079 268**	**137 615 798**
Fully Diluted Shares in Issue		**179 079 268**	**137 615 798**

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in Rands	Share Capital	Share Premium	Total Share	Equity due to change in ownership	Retained income	Total Equity attributable to holders of the parent	Non-controlling interest	Total Equity
Balance at 1 July 2017	**137 616**	**55 972 835**	**56 110 451**	**(12 892 945)**	**102 774 161**	**145 991 667**	**857 519**	**146 849 186**
Profit for the year	-	-	-	-	20 509 630	20 509 630	87 356	20 596 986
Total comprehensive income for the year	-	-	-	-	20 509 630	20 509 630	87 356	20 596 986
Dividends	-	-	-		(17 201 975)	(17 201 975)	(192 000)	(17 393 975)
Total contributions by and distributions to owners of Company recognised directly in equity	-	-	-	-	(17 201 975)	(17 201 975)	(192 000)	(17 393 975)
Balance at 1 July 2018	**137 616**	**55 972 835**	**56 110 451**	**(12 892 945)**	**106 081 816**	**149 299 322**	**752 875**	**150 052 197**
Profit for the year	-	-	-	-	14 630 934	14 630 934	2 446 446	17 077 380
Total comprehensive income for the year	-	-	-	-	14 630 934	14 630 934	2 446 446	17 077 380
Issue of shares	127 000 000	-	127 000 000			127 000 000		127 000 000
Share issue cost		(142 907)	(142 907)			(142 907)	-	(142 907)
Dividends					(8 256 948)	(8 256 948)		(8 256 948)
Non-controlling interest as a result of an acquisition							12 219 678	12 219 678
Total contributions by and distributions to owners of Company recognised directly in equity	127 000 000	(142 907)	126 857 093	-	(8 256 948)	118 600 145	12 219 678	130 819 823
Balance at 30 June 2019	**127 137 616**	**55 829 928**	**182 967 544**	**(12 892 945)**	**112 455 802**	**282 530 401**	**15 418 999**	**297 949 400**

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Rands	Change	Reviewed for the year ended 30 June 2019	Audited for the year ended 30 June 2018
Cash flows from operating activities			
Cash generated from operations	**-78.01%**	11 602 618	52 771 859
Interest income		7 180 703	6 466 943
Finance costs		(174 447)	(983 365)
Tax paid		(11 296 494)	(7 654 627)
Net cash from operating activities	**-85.55%**	**7 312 380**	**50 600 810**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3 073 383)	(1 231 877)
Sale of property, plant and equipment		(40 716)	56 278
Purchase of intangible assets		(4 257 436)	(997 824)
Cash acquired in business combinations		29 662 531	-
Dividend from associate		667 581	-
Purchase of unlisted investment		-	(146 667)
Sale of unlisted investment		-	1 806 667
Net cash from investing activities	**-4 572%**	**22 958 577**	**(513 423)**
Cash flows from financing activities			
Share issue cost		(142 907)	-
Repayment of other financial liabilities		(2 472 483)	(8 159 350)
Repayment of interest bearing liabilities		(372 335)	(1 440 312)
Dividends paid		(8 234 156)	(17 375 962)
Net cash from financing activities	**-58.40%**	**(11 221 881)**	**(26 975 624)**
Total cash and cash equivalents movement for the year		**19 049 076**	**23 111 763**
Cash and cash equivalents at the beginning of the year		104 390 853	81 279 090
Total cash and cash equivalents at end of the year	**18.25%**	**123 439 929**	**104 390 853**

NOTES TO THE REVIEWED PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The reviewed preliminary condensed consolidated financial statements have been prepared on the historical cost basis and conform to International Financial Reporting Standards ("IFRS") and with 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 accounting policies applied in the preparation of these reviewed preliminary condensed consolidated financial results, which are based on reasonable judgements and estimates, are in accordance with IFRS, and are consistent with those applied in the Group annual financial statements for the year ended 30 June 2018 except for the first time adoption of IFRS 9 and IFRS 15 as detailed below. These reviewed preliminary condensed consolidated financial statements set out in this report have been prepared in terms of IAS 34 – Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act"), and the Listings Requirements of JSE Limited.

IFRS 9: Financial Instruments

The Group has applied the expected credit loss method as detailed in IFRS 9 by using the simplified approach. The application of a provision matrix to the Group's trade receivables based on historic default rates with an adjustment for forward looking events has not resulted in a different position from the previous standard. The application of IFRS 9 has not resulted in the reclassification of any of the Group's financial assets and liabilities.

IFRS 15: Revenue from Contracts with Customers.

The Group principally generates revenue by providing Active Data Exchange Services and Knowledge Management Services. These services are typically delivered within a short-term basis and revenue is recognised in the month that the service is rendered. Revenue is measured based on the consideration specified in the contract and sales terms and excludes amounts collected in terms of agency services. The Group discloses Gross Revenue, including agency services, for enhanced disclosure purposes. Upon adoption of this standard the Group was not required to restate its retained earnings as at 30 June 2018.

These reviewed preliminary condensed consolidated financial statements were prepared under the supervision of the Financial Director, Pieter Scholtz CA(SA).

2. RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

Figures in Rands	**Reviewed for the year ended 30 June 2019**	**Audited for the year ended 30 June 2018**
Earnings and diluted earnings per share The calculation of earnings per share is based on profits of R14 630 934 attributable to equity holders of the parent (2018: R20 509 630) and a weighted average of 179 079 268 (2018: 137 615 798) ordinary shares in issue during the year.	8.17 cents	14.90 cents
Headline and diluted headline earnings per share The calculation of headline earnings per share is based on profits of R16 685 960 attributable to equity holders of the parent (2018: R20 482 335) and a weighted average of 179 079 268 (2018: 137 615 798) ordinary shares in issue during the year.	9.31 cents	14.88 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	14 630 934	20 509 630
Profit/(Loss) on disposal of property, plant and equipment	64 174	(37 910)
Tax effect of the disposal of property, plant and equipment	(17 969)	10 615
Impairment of goodwill	2 008 821	-
	16 685 960	20 482 335

3. TRADE AND OTHER RECEIVABLES

Figures in Rands	Reviewed for the year ended 30 June 2019	Audited for the year ended 30 June 2018
Financial instruments:		
Trade receivables	42 707 265	45 397 918
Expected credit loss allowance	(824 081)	-
Trade receivables at amortised cost	41 883 184	45 397 918
Deposits	499 648	-
Other receivable	1 551 871	655 490
Shares loans to directors and staff	4 262 818	4 143 489
Expected credit losses for share loans to directors and staff	(325 720)	-
Non-financial instruments:		
VAT	264 746	516 021
Prepayments	2 480 300	1 207 230
Total trade and other receivables	50 616 847	51 920 148

Expected credit loss:
The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. The expected credit loss is determined on an individual customer basis. Amounts due over 60 days are assessed for recoverability. However, the Group reviews all debtors individually, taking into account individual circumstances and past payment history.

The Group continuously monitors the credit quality of customers. Where available, external credit checks on customers are obtained and used. The Company's policy is to deal only with creditworthy counterparties. The credit terms are 30 days. The ongoing credit risk is managed through regular review of ageing analysis.

30 June 2019

Trade receivables days past due	Current	More than 30 days	More than 60 days	More than 90 days	More than 120 days	Specifically impaired	Total
Expected credit loss rate	1.42%	1.22%	1.81%	0.89%	12.59%		
Gross carrying amount	28 046 011	5 115 654	3 408 568	4 069 483	1 517 947	549 602	42 707 265
Lifetime expected credit loss	398 771	62 470	61 741	36 260	191 179	73 660	824 081

4. BUSINESS COMBINATIONS

On 7 February 2019, the Group announced the fulfilment of the conditions precedent to the related party acquisition in terms of which it acquired, with effect from 7 February 2019, 50.01% in Private Property South Africa Proprietary Limited ("Private Property"), comprising of 5 265 Private Property shares held by CTP Limited for a total purchase consideration of R127 million, which consideration was settled through the issue of 105 833 333 Cognition shares at 120 cents per share ("Acquisition").

The acquired business contributed revenue totaling R64 448 639 and a net profit after tax to the value of R4 625 076 which contributed R2 313 001 to the profit attributed to the owners of the parent company. If the business was acquired on 1 July 2018 the revenue and profit after tax would have been R149 796 788 and R15 806 831, respectively.

At the time of preparing this report the Group was still in progress to finalise the Purchase Price adjustment account. The Group will engage on an extensive process to identify all assets and liabilities within Private Property by 31 January 2020. Thus the calculation set out below is the provisional accounting for the acquisition assets and liabilities.

Figures in Rands	Reviewed for the year ended 30 June 2019
Property, plant and equipment	1 095 609
Cash and cash equivalents	29 662 531
Trade and other receivables	2 596 065
Deferred tax	668 397
Current tax receivable	735 115
Trade and other payables	(10 085 546)
Share based payment reserve	(228 006)
Total identifiable net assets	24 444 165
Non-controlling interest	(12 219 678)
Provisional Goodwill	114 775 513
	127 000 000
Consideration paid	
Purchase consideration by issue of shares	127 000 000
Net cash inflow on acquisition	
Cash acquired	29 662 531

5. SEGMENTAL REPORTING

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. These chief operating decision-makers ("the CODM") have been identified as the executive committee members who make strategic decisions. The CODM have organised the operations of the Company based on its brands and this has resulted in the creation of the following two reportable segments:

Active Data Exchange Services - a unified messaging system that integrates and delivers a suite of messaging services through a single hosted platform.

Knowledge Creation and Management - Building permission-based marketing strategies to enhance singular customer profiles, with deep granularity in line with privacy legislation. This segment uses technology to establish a "new asset class" by collecting data, adding content and meaning to create information and providing insights, inferences and experiences to culminate in knowledge.

The accounting policies applied to the operating segments are the same as those described in the aforementioned basis of preparation paragraph. Active Data Exchange Services are provided within South Africa as well as to 36 other countries in Africa ("Africa Sales"). Within the period under review, 11.90% (2018: 10.30%) of the segment’s revenue can be attributed to Africa Sales. The Company allocates revenue to each country based on the relevant domicile of the client. All of the Company's assets are located in South Africa.

Active Data Exchange currently generates 16.64% (2018: 30.15%) of its revenue through three large network providers whereas Knowledge Creation and Management generates 23.11% (2018: 44.30%) of its revenue by rendering services to two large multinational companies. The CODM reviews the income and expense items on a Group basis and not per individual segment. All assets and liabilities are reviewed on a Group basis by the CODM.

Both segments share the use of the Group's assets and liabilities as well as the same operating environment and therefore the Group is not in a position to report on the assets and liabilities of each segment nor analyse the operating expenditure separately. Although the service runs just in Africa, the service is set-up and operated predominantly in South Africa and is 90% Rand based.

Figures in Rands	Change	Reviewed for the year ended 30 June 2019	Audited for the year ended 30 June 2018
Gross Revenue			
Active Data Exchange Services	-30.80%	95 407 285	137 867 178
Knowledge Creation and Management	68.35%	358 933 959	213 210 379
	29.41%	454 341 244	351 077 557
Revenue generated from agency services			
Active Data Exchange Services	-60.55%	(33 238 314)	(84 258 953)
Knowledge Creation and Management	89.06%	(205 953 932)	(108 934 206)
	23.81%	(239 192 246)	(193 193 159)
Revenue			
Active Data Exchange Services	15.97%	62 168 971	53 608 225
Knowledge Creation and Management	46.71%	152 980 027	104 276 173
	36.27%	215 148 998	157 884 398
Cost of services			
Active Data Exchange Services	-32.16%	(12 273 557)	(18 092 551)
Knowledge Creation and Management	7.70%	(47 550 489)	(44 151 521)
	-3.89%	(59 824 046)	(62 244 072)
Gross Profit			
Active Data Exchange Services	40.49%	49 895 414	35 515 674
Knowledge Creation and Management	75.35%	105 429 538	60 124 652
	62.41%	155 324 952	95 640 326

COMMENTARY

The board of directors of Cognition ("the Board") is proud to announce the results for the year ended 30 June 2019.

During the period under review, the Group acquired 50.01% of Private Property resulting in a considerable change in the Revenue, Financial position and Equity structure of the Group.

The effective accounting date for the acquisition was 7 February 2019 and therefore, included in the Financial Results are five months of revenue and expenditure from Private Property, resulting in significant increases being reported across all financial line items when compared to the results reported in the previous financial year.

The Group increased its Gross Revenue by 29.4%, of which 10.2% was achieved organically via its legacy businesses, and a further 19.2% by means of the acquisition of Private Property. Gross Revenue, which includes revenue earned by the Group for facilitating agency-based payment services, amounted to R239 million compared to R193 million in the previous financial year. The legacy businesses are the businesses that made up the Group prior to the acquisition of Private Property and comprise of FoneWorx, BMi Research and BMi Sport Group.

Revenue for the Group increased to R215 million, compared to R157 million in the previous financial year. This increase was achieved despite a significant reduction in Revenue of R27.5 million earned from the Group's Fax2email and Research assets, whereas the legacy businesses showed resilient growth of R16.4 million for the year. The addition of Revenue from Private Property results in a net increase of 36.3% revenue growth.

As per the segment report, revenue from both Active Data Exchange Services and Knowledge Creation and Management segments increased by 15.9% and 46.7%, respectively. Gross Profit for Active Data Exchange Services increased by R14.4 million to R49.9 million from R35.5 million. This was achieved organically. The Gross Profit for the Knowledge Creation and Management segment increased by 75.3% from R60 million to R105.5 million which can mostly be attributed to Private Property.

The Group's operational cost increased significantly to R52.1 million from R18.3 million. The legacy businesses' operating costs increased 28% primarily due to significant transaction fees relating to the Acquisition. In addition, it should be noted that in the previous financial period the operating costs were lower due to a "once off" energy charge reversal. Private Property operating costs for the five months amounted to R31 million resulting in the 184% total increase for the Group this year.

Staff costs for the year increased by 48.9% with the inclusion of Private Property. The staff cost of the legacy businesses increased marginally by 2.9% from R52.5 million to R54 million for the year.

The impact of the increased expenditure was not offset by the additional revenue of the Group, resulting in a reduction of Total Comprehensive Income of 17.1% from R20.6 million to R17 million. As the Group only owns 50.01% of the shareholding in Private Property, the Group accounted for R2.4 million as non-controlling interest in the earnings with the ensuing profit attributable to shareholders of Cognition reducing to R14.6 million compared to the previous year of R20.5 million.

Based on the weighted average number of shares in issue for the period of 179 079 268 shares (2018: 137 615 798), earnings per share ("EPS") declined by 45.2% from 14.9 cents in the 2018 financial year to 8.17 cents this financial year. Headline earnings per share ("HEPS") declined from 14.88 cents per share to 9.3 cents per share.

Statement of Financial Position

The Group maintains a prudent approach with regards to the use and allocation of its resources and continues to maintain a healthy financial position which, given the current difficult financial times, has served it well.

The Group's cash resources increased from R104 million in the previous financial year to R123 million, an increase of 18.25%. Notwithstanding the incorporation of Private Property, the Group was able to maintain its Trade and Other Receivables at R50.6 million compared to the prior year's level of R51.9 million. Current Liabilities reduced to R54.4 million from R68.7 million. This reduction was mostly due to a reduction in third party prize money that the Group held at year end.

The acquisition of Private Property resulted in Goodwill allocation to the amount of R114.7 million being raised by the Group as a provisional allocation of the purchase price. The Group will do a final purchase price allocation by the end of January 2020. The Group impaired R2 million of Goodwill relating to the BMi Sport Group as the current value of future cashflow projections fell below the carrying value of Goodwill.

The purchase consideration for the Acquisition was settled by the Group issuing 105 833 333 new Cognition shares resulting in the total share issued by the Group being 243 449 131 shares. This resulted in the Net Tangible Asset Value of the Group being reduced by 32.17% from 76.37 cents per share to

51.80 cents per share. Net Asset Value per share increased by 7% to 116.05 cents per share from 108.49 cents per share.

Equity Movements

During the year, the Group declared and paid a final dividend of 6 cents per share relating to the 2018 financial year.

The Group incorporated Private Property and issued 105 833 333 Cognition shares to the value of R127 million as the purchase consideration.

As at 30 June 2019, the Company did not hold any treasury shares.

Going Concern

The Board has formally considered the going concern assertion for the year going forward and is of the opinion that it is appropriate.

Conclusion

While the Group financial structure changed significantly during the past financial year, it still maintains a very healthy financial position with diversified businesses that collectively deliver strong cash flows and remain profitable even in very difficult financial and economic times.

OPERATIONAL PERFORMANCE

Group Profile

Cognition is a multi-disciplinary data collection, communication, research and marketing company that provides a broad range of services to Fast Moving Consumer Goods (“FMCG”) companies, media and digital agencies.

Cognition is committed to fair and sustainable business practices and strict adherence to legislative requirements and frameworks.

Cognition operates via two distinct strategic objectives, being:

- Active Data Exchange Services; and
- Knowledge Creation and Management.

These objectives are underpinned by the Group’s various operating divisions.

Cognition operates from its head office in Randburg and satellite offices in Cape Town and Durban. The Group’s strategy is underpinned by a high value system which encourages innovation, performance and a strong client-centric philosophy. The Group prides itself in being able to develop bespoke services to meet the client’s specific needs, as well as the design, hosting and management of its own service delivery platforms.

Cognition has recognised the growing international trend of consumers realising:

- their right to have their privacy respected;
- the value of their personal data (an “asset class”);
- the need to be in control when sharing data; and
- having the mechanism to be rewarded for sharing their data.

Group Performance

The results for the period under review are a reflection of a low growth domestic market, with protracted tough economic conditions.

Many of our clients to whom we provide support services did not anticipate the extent to which the market would deteriorate and many were forced to reduce their budgets and promotional activity, resulting in reduced work to a number of our Group's operating divisions.

The Cognition Group is made up of a number of, what may appear to be, disparate offerings. However, the common thread or theme attributable to each offering is the collection, processing and management of personal data and the ability for our clients to manage and monetise such data in a structured, compliant and insightful manner.

Each of our operational offerings, as explained more fully hereunder, is either a technology or a process which enables our clients to have deeper insight and understanding of their customers so that they are better able to develop more meaningful and relevant communication with their customers.

Divisional Performance

Active Date Exchange Services ("ADES")

ADES, in layman's terms, comprises all of the Group's technologies that are used in any form of messaging, such as short message services (SMS), unstructured supplementary service data (USSD) email services and faxing services. These are all marketed to our clients via our brand, MediaWorx, and our clients use these services as "Call2Action" campaigns, essentially encouraging their customers to enter a promotion or competition for some form of reward or prize.

By adopting these ADES, we enable our clients, not only to engage with their customers, but also to collect valuable data about their customers.

Brands need to understand their consumers at a deeper level (granular level) and hence this form of data exchange is ideal. Data, and in particular personal data, has become central to every single aspect of running any business.

Although the ADES industry is very competitive, the benefits that our Group have are:

- that the technology platform is proprietary;
- we are contracted with all mobile and fixed line networks in South Africa;
- we have designed remote access to over 80 mobile networks into Africa; and
- we offer a turnkey solution on technology, consulting, service design and fulfilment of physical or virtual rewards.

During the period under review, MediaWorx managed over 300 campaigns on behalf of 70 clients covering 160 brands including: Liberty, Rohloff, Lindor, Gemini, Matriach, Duel, SA Homeloans, Imana – Pick n Pay, Cassava, Vamara, Computershare, Datacore Media, ABInBev (Hansa, Redds, Carling Cup, Carling Black Label and Castle Lager), Defy, Lion Match, Pep, Ackermans, Premier Foods, Marico, Checkers, Soweto TV, Cambridge, Lucky Star, Bokomo, AfriSam and Bokomo.

MediaWorx is one of the largest and most innovative USSD suppliers in South Africa.

We are confident that our platform and innovative approach to using ADES can assist clients in building much needed personal databases which must ultimately be compliant with privacy legislation such as the Protection of Personal Information Act ("POPIA") and the General Data Protection Regulations ("GDPR").

As discussed in the aforementioned 'Group Performance' paragraph, the trading conditions throughout Africa deteriorated substantially during the year which resulted in many of our existing clients reducing their marketing and promotional budgets, which meant that we managed fewer services on their behalf. With a protracted low growth domestic economy, we anticipate this trend will continue. On the positive side, our proprietary platforms are both well managed and instantly scalable, meaning that when the economy turns, we can immediately host an unlimited number of campaigns.

Document Exchange Services

These services, which form part of ADES, include our Fax2Email, Email2Fax and SecurDox. Whilst faxing continues to decline, we still maintain an active database of around 73,000 subscribers (2018: 90,000) and process around 28 000 faxes per day.

SecurDox, which is a more secure encrypted document transfer system using Blockchain, continues to be an alternative to Fax2Email and will become a more suitable alternative to clients when POPIA becomes fully enacted.

Channel Incentive and Loyalty

Brands typically have some form of reward or incentive methodology to “sell-in” stock into a retail environment or store and a “sell-out” strategy to promote stock to consumers.

The Group has developed a proprietary platform which is web and mobile based. It enables brands to incentivise staff, agents and contractors (“incentive member”) by rewarding them for selling defined products to consumers.

Our proprietary platform has various modules including FICA registration, claims processing, moderation and payment of funds (rewards) into a wallet and a Mastercard allocated to each incentive member who can then transfer their allocated funds (rewards) from the wallet to their card. Since the development of the platform in November 2015, we have processed over R400 million via an average of 10,000 active cards, although more cards have been issued.

During the period under review, we have seen a renewed interest in our incentive platform offering from a number of new clients and we are currently engaging with them to structure possible incentive programmes similar to those we currently provide.

When economic conditions become stressed, brands typically look to more innovative ways to stimulate sales and this programme and platform offers such opportunity.

Platform Technology and Knowledge Management

Although brands are aware that Big Data is becoming central to the running of a business, they are not all aware as to what data to collect and how to collect, process and manage such data.

To this end, Cognition has developed a 15-step process or roadmap to guide clients through this process in a structured and focussed manner. The methodology is referred to as Knowledge 350°.

The aim of this process is to collect the desired personal data (demographic / psychographic) and store it in a manageable platform so that the data can be used for research, marketing and to drive desired consumer behaviour.

The process is “non-invasive” and typically provides for “volunteered data” or “self-curated data”, placing the consumer in control of their data, but on a permission-based principle enabling brands to have access to such rich and dynamic data.

We refer to such a platform as Personal Information Management platform (“PIM”) which conforms to the best of class privacy regulations, such as POPIA and GDPR.

Each of the services previously referred to in this report (ADES and Channel Incentive) would be engaged to ultimately interface to the PIM platform and be deployed to either collect or manage data.

To ultimately facilitate and enhance the manner in which insights can be extracted from the PIM platform, research and analytical skills need to be deployed. To acquire these skills and businesses as going concerns, the Group has over the past five years made the following acquisitions:

BMi Research Proprietary Limited ("BMiR")

BMiR provides total research solutions for the following sectors: retail, manufacturing, packaging, food services, automotive, telecoms and financial services.

The services offered include: market performance, shopper insights, data management and integration, analytics and consulting, mystery shopping, print ads, EPOS and ISOS.

During the period under review, a large services project came to its natural conclusion resulting in revenue dropping by 24% and profit before tax being down 62%. At the end of the financial year (June), the CEO of 11 years, Gareth Pearson, decided to retire from the business and he was replaced by Kevin Kruger, previously the managing director of IRi South Africa. Kevin has a wealth of experience in the services offered by BMiR and is currently putting into place a re-engineered strategy to take the business into the next decade. We would like to thank Gareth Pearson for his contribution and loyalty to BMiR over his long tenure.

BMi Sport Info Proprietary Limited ("BMiS")

BMiS provides a defined range of sport-and sponsorships-related services. These services include: sport tracking and sponsorship consulting, e-gaming, millennial tracking, socio-economic and sporting impact evaluation and bespoke sporting evaluation.

BMiS is gearing up to launch a database management programme for defined sporting codes which will operate as a multi-sided platform for brands, spectators and sport participants.

The period under review was challenging as the poor economic conditions resulted in many blue-chip clients cutting back on sponsorships and research.

Livingfacts Proprietary Limited ("Livingfacts")

Livingfacts provides customised research solutions with "deep dive" compatibility, both on a quantitative and qualitative level that assists boards and management to implement insightful and intelligent strategies.

Revenue for the period was up 10% however, with margins under pressure, profit before tax showed no growth on the previous year.

Corporate Transactions

During the period under review, the Group acquired 50.01% in Private Property from CTP Limited. The Acquisition was effective from 7 February 2019 and was settled by the issuing of 105 833 333 Cognition shares at 120 cents per share, for a purchase consideration of R127 million.

Private Property is one of South Africa's largest property portals, and has been in operation since 1998. The company, Private Property, holds a significant market share in the South African property market.

Private Property is a multi-site marketing property platform that presents property listings, news and advice to property shoppers and charges property professionals to market to that audience. The revenue growth for Private Property is driven by increased property listings on its platform which leads to an increased audience, increased leads and a higher number of successful transactions.

Prior to the acquisition of Private Property from CTP Limited, Caxton and CTP Publishers and Printers Limited ("Caxton") was a material (34.57%) shareholder of Cognition. Post the Acquisition, Caxton's shareholding in Cognition is currently 63%.

Our Strategy Moving Forward

The rationale for the acquisition of Private Property heralds a change in the direction of Cognition to become an aggregator of digital platforms that provide multi-side offerings to various vertical markets in the economy.

This strategy is to blend investments that offer innovative technology platforms with digital opportunities to build models that are flexible, fast, collaborative and creative.

The rationale behind this strategy is:

- to provide creative scope for each investment to be fully empowered and to operate independently by the incumbent management, whilst leveraging opportunities within the investment portfolio of the various platforms;

- to provide shareholders the opportunity to invest in diversified, yet specialised, platforms in a multitude of verticals across several sectors and geographies; and

- to offer a range of shared services to each platform to support their growth strategies within the framework of Search Engine Optimisation, Search Engine Marketing, HR, risk assessment, privacy and Cyber Security, financial, administrative and general strategy.

Post the signing of the acquisition agreement for Private Property, a new CEO was appointed to the Private Property board of directors. The CEO was tasked to identify new areas of opportunity, growth and operational enhancement. Based on measured feedback, an enhanced strategy was approved by the Private Property board of directors which will essentially re-engineer the Private Property platform to deliver additional value to both buyers/sellers of properties, renters and estate agents, thereby offering much enhanced value to this multi-sided platform.

The Private Property board of directors believes this new strategy will greatly enhance the future growth of Private Property and create a structured trajectory for this platform to become the leading property platform in South Africa.

The Private Property board of directors, in association with the Cognition Board, has accordingly agreed to re-invest a portion of the Private Property 2020 and 2021 profits into the execution of the new strategy.

During the processes of enhancement and reforming this Private Property platform, it is anticipated that the company will continue to show year on year top line revenue growth and strong cash flow generation.

Whilst this will result in a reduction of the profits in these two years, both Boards are of the view that the enhanced value over the next four years and increased goodwill will create:

- accelerated momentum;
- increased market share;
- added value to estate agents and buyers; and
- improved and new service offerings.

Following on from the 50.01% acquisition of Private Property, the strategy is to invest in other platform businesses that operate in different verticals within the economy.

<u>How Do The Legacy Businesses of the Group Integrate Into The New Strategy?</u>

The legacy businesses and service offerings of Cognition, as described above, will, in line with the “new strategy” moving forward, continue to operate at two levels:

- independently to the market as they have done over the last two decades; and

- as part of the shared services offering to the various vertical platforms, the first of which being Private Property.

Prospects

We believe that trading conditions will remain challenging with a low growth domestic market, uncertain political conditions and protracted tough economic conditions. While this will impact more on the likes of our research and promotional services and operations, it could provide opportunities within our channel incentive offerings where brands use this offering to stimulate sell-through opportunities.

Our new strategy of building an aggregation of digital platforms began with the acquisition into Private Property. This strategy creates an opportunity for the Group to be better positioned to exploit the digital economy and will result in the Group becoming a growth-focussed investment holding company within the digital sphere.

Our strategy is to blend investments that offer innovative technology platforms with digital opportunities to build models that are flexible, fast, collaborative and creative.

These innovative platforms that operate in various vertical sectors of the economy, will collectively facilitate enhanced business to business relationships and enhance customer engagement, whilst promoting personalisation for relevant and meaningful experiences in line with privacy legislation.

Multi-sided platforms ("MSPs") like Private Property are digitised, open and participative business models, creating commercially connected eco systems of providers and consumers.

We believe that an aggregation of MSPs, leveraged by a shared services offering, will offer compelling value, as they offer great scalability capacity driven by the network effect.

The legacy business service offerings of the Group will continue to offer services directly to the market and simultaneously offer a shared services function to the underlying MSPs.

REVIEW OPINION

The Group's auditor, BDO South Africa has reviewed the reviewed preliminary condensed consolidated results for the year ended 30 June 2019 and expressed an unmodified review conclusion thereon. A copy of the auditor's review report together with a copy of the financial information identified in the auditor's report are available for inspection at the Company's registered office. The directors of the Group take full responsibility for the preparation of this announcement and confirm that the financial information has been correctly extracted from the underlying annual financial statements.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report, together with the accompanying financial information, from the issuer's registered office during office hours.

CORPORATE GOVERNANCE

The Board recognises the need to conduct the affairs of the Group with integrity and in compliance with the principles of the King Report on Governance Principles of South Africa ("King IV report"). Throughout the year under review, the Group has complied with the principles as set out in the King IV report.

BUY BACK OF SHARES PURSUANT TO SECTION 164 OF THE COMPANIES ACT

Pursuant to section 164 of the Companies Act, Cognition concluded a Settlement Agreement, with shareholders holding 14 086 110 shares. In terms of the Settlement Agreement Cognition has agreed to buy back 14 086 110 shares at a fair value to be determined by an independent expert. Cognition will pay the shareholders the fair value of the shares as determined by the independent expert and the shares will be cancelled. At the time of reporting the repurchase has yet to be effected.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross final dividend of 10 cents per share for the financial year ended 30 June 2019 (2018: 6 cents per share), which is adjusted for withholding tax. The final dividend has not been included as a liability in these reviewed preliminary condensed consolidated results as it was declared subsequent to year end. The final dividend for June 2019 is payable to all shareholders on the Register of Members on Friday, 1 November 2019. In terms of the dividends tax, effective 1 April 2012, the following additional information is disclosed:

- the local dividend tax rate is 20%;

- the dividends will be payable from income reserves;
- the dividend tax to be withheld by the Company amounts to 2 cents per share;
- therefore the net dividend payable to shareholders who are not exempt from dividends tax amounts to 8 cents per share, while the gross dividend payable to shareholders who are exempt from dividend tax amounts to 10 cents per share;
- the issued share capital of the Company at the declaration date comprises 243 449 131 ordinary shares; and
- the Group's income tax reference number is 9087/450/84/8.

Declaration date	Wednesday, 18 September 2019
Last day to trade cum dividend	Tuesday, 29 October 2019
Date trading commences ex the dividend	Wednesday, 30 October 2019
Record date	Friday, 1 November 2019
Date of payment	Monday, 4 November 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 October 2019 and Friday, 1 November 2019, both dates inclusive.

ANNUAL REPORT

Shareholders are advised that the Annual Report will be available on the Company's website at www.cgn.co.za and will be distributed to shareholders on or about Friday, 27 September 2019.

For and on behalf of the Board

Ashvin Mancha	Mark Smith	Pieter Scholtz
Chairman	Chief Executive Officer	Financial Director

Johannesburg
18 September 2019

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Non-executive
* *Independent*

Company Secretary: Stefan Kleynhans, BA BIuris LLB LLM (Banking Law)/(Corporate Law) ACIS

Auditor: BDO South Africa Incorporated

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Merchantec Capital