



COGNITION
HOLDINGS LTD
creating intelligent dialogue

COGNITION HOLDINGS LIMITED
(formerly FoneWorx 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")

**UNAUDITED CONSOLIDATED INTERIM
RESULTS FOR THE SIX MONTHS
ENDED 31 DECEMBER 2014**

HIGHLIGHTS

REVENUE	1.31%
PROFIT BEFORE TAX	+11.87%
EARNINGS PER SHARE	+8.58%
HEADLINE EARNINGS	+9.23%
NET ASSET VALUE PER SHARE	+12.56%

December 2014 compared to December 2013.

COMMENTARY

The board of directors of Cognition ("the board") present the unaudited condensed consolidated interim results for the six months ended 31 December 2014 ("the interim period") which should be read in conjunction with the most recent audited annual financial statements for the year ended 30 June 2014.

The unaudited condensed consolidated interim financial statements are available to be viewed on the company's website: www.cgn.co.za

The transition from AltX to the Main Board of the JSE Limited ("JSE") and simultaneous name change from FoneWorx Holdings Limited to Cognition Holdings Limited has been completed and we are very excited about the next phase of development of our strategy in the Knowledge Economy.

An important element of the transition was to refocus the group's strategy to concentrate on a roadmap of data analytics, research and building communities of people with shared interests who align themselves to a brand or philosophy.

Our knowledge strategy is to leverage off over 19 years' experience in active data services (SMS, IVR, USSD, MMS) in developing large databases for our clients and ourselves, based on our knowledge mapping process infused in our Knowledge 350° process. This strategy will be underpinned by acquisitions or investments in businesses that can 'fast track' this strategy.

Following our investment in BMi Research Proprietary Limited ("BMi Research") (35%) and Livingfacts Proprietary Limited ("Livingfacts") (44%), we acquired 63% in BMi-Sport Info Proprietary Limited ("BMi Sport Info"), which is an independent research company (unrelated to BMi Research), which deals exclusively with the sport and sponsorship market. This is a niche market with huge potential and complements our other two investments and our Knowledge strategy.

The decline in revenue for the interim period is a result of:

1. Our transition which resulted in a re-alignment of soliciting less profitable revenue, particularly if it was not aligned to our desired future strategy. Certain historical revenue, which is no longer seen as core to the future strategy and which was previously undertaken despite very small margins and occupying management's time, will no longer be undertaken. Management time will be refocused on deploying the new strategy. Operationally this trend is anticipated to continue for the remainder of the 2015 financial year.
2. A decline in faxing revenues, which has been anticipated was more pronounced due to the sluggish economy and general lack of business confidence. The Board has anticipated a plateau and then a decline in faxing volumes, hence the rationale for the re-engineering of the business into the Knowledge Economy. We do however expect to continue enjoying good annuity income from faxing services with around 300 000 subscribers using the service. In addition, we have launched a voice messaging service to the fax service which we believe will revitalize volumes.

COMMENTARY (CONTINUED)

3. Timing issues relating to certain projects within MediaWorx, which we had anticipated would be forthcoming in the first half of the year, were delayed. We are hopeful that these will materialise within this calendar year.

However, the decline in revenue did not have a negative impact on profits, with profits after tax attributable to the owners of the parent increasing by 9.61% and HEPS increasing by 8.22%.

The group's revenue for the period compared to the corresponding period in the previous financial year declined by 1.31% down to R62,4 million from R63,2 million, while gross profit increased by 3.68% from R36,5 million to R37,8 million. Profit before tax increased by 11.87% from R19 million to R21,3 million and profit after tax for the period increased by 18.1% from R13,4 million in the previous corresponding period to R15,9 million in this reporting period.

Earnings Before Interest, Tax, Depreciation and Amortisation increased by 8.51% to R23,5 million up from R21,7million. The improvement in all earnings can be attributed to an improved gross profit margin across most of the products in the group and the returns achieved via our investments in associate and subsidiary companies.

During the period under review the group made two significant investments using its cash resources and by issuing script. It furthermore paid out R16,5 million in dividends that related to the earnings in the previous period. The net result is that Cash resources reduced by 1.96% from R104,8million down to R102,7million when compared to 31 December 2013 however trade and other payables increased by 106.53% from R16,4 million to R33,9 million. This increase is due to obligations relating to some of the business investments made that were not yet due and payable at the reporting date.

The total asset value of the group increased by 22.16% from R151 million as at 31 December 2013 to R184 million as at 31 December 2014 and net asset value per share increased from 90.9 cents per share to 102.4 cents per share, an increase of 12.56%.

REVIEW OF OPERATIONS

Given our exciting new strategy in data, information and knowledge, we will also be looking at employing more specialised skills to execute on the strategy. This will be complemented by our active drive to seek investments in companies that focus in actuarial sciences, data analytics, social media, data management and consulting. These investments will complement our recent acquisitions.

The group's historical skill sets and intellectual know-how in "call to action" campaigns using various bearer technologies services such as: SMS, USSD, IVR, MMS and IM, will form the basis of our data gathering strategy (raw data) which will extend into community building (information) and then culminate in knowledge creation using our proprietary Knowledge 350° process.

This will result in the development of knowledge dashboards linked to marketing dashboards which enable one to one marketing of anticipated, relevant and meaningful information to consumers at an individual level.

Active Data Exchange Services

This division includes faxing services, bespoke business applications and the group's traditional bearer services incorporating: SMS, IVR, USSD, MMS, IM, WEB and Fulfillment services, which are marketed via MediaWorx.

REVIEW OF OPERATIONS (CONTINUED)

During the interim period this division hosted over 300 services on behalf of 80 clients. Whilst the lion's share of these services are "call to action campaigns" linked to branded products, (which are typically initiated via above, below and through the line media), our focus going forward is to align the data collected via these campaigns to long-term strategically oriented community build programmes, giving the client more insight into the consumers who participated in the call to action campaigns. The objective going forward is to accumulate the data in a manner that provides clients with longevity of data which is; clean, current, consistent, conformed and comprehensive. This data can then be transitioned to information and then, over time, knowledge providing our clients with much more value than the traditional call to action campaign.

We have been pleased with our initiatives in aligning our active data exchange services to the bigger initiative of Knowledge 350° and have seen a number of blue chip clients starting to see the value of building "communities" and understanding the long term potential of extracting the value of having the deeper granularity of each customer.

MediaWorx did experience a more challenging market with a number of clients taking much longer to accept quotations and becoming much more cost conscious in an endeavour to preserve cash in a difficult economy.

We managed a number of successful campaigns such as: X Factor SA, Strictly Come Dancing, SA's Got Talent (SABC), Carling Black Label, Hansa, Castle, Miller, Castle Lite, Redds, Idols, Ola Magnum, Tropika, SATMA Awards, SAMA Awards, Imana, Pep Campaigns, Bokomo, Lucky Star, Spier Wines, Lotus Free Play Friday, Caxton Magazines, AFCON, Coke, Pick n Pay and many more.

MediaWorx **Africa continued to make inroads into Africa with a number of successful campaigns managed outside South Africa such as: Big Brother 9 (DSTV), Kellogg's (South Africa, Zambia, Namibia and Zimbabwe) Samsung, and many others.** We continue to maintain and build a good footprint in Africa via relationships with 96 networks in 38 countries.

Knowledge 350°

Knowledge comes from information and that, in turn, comes from data. Data however requires a lot of work before it is actually something useful. Raw data needs integration, understanding, design and modeling and architecting, before it can be monetized. Knowledge 350° is accordingly not only an ideal extension to our existing Active Data Exchange Services, but also a new stand-alone division with independently solicited clients.

Data is an asset that CFO's are realising should have status on the balance sheet alongside property, plant and equipment.

Knowledge 350° creates the foundation for a new future strategy of the group and opens up a huge number of new opportunities particularly for acquisitions, to support each of the fifteen components making up Knowledge 350°.

During the interim period positive operational and strategic inroads were made in enhancing the objectives for Knowledge 350°.

Cognition's proprietary software, (MyPoint) was developed in-house to enhance our research capabilities and to this end we formed "Cognition Insights" which is a vehicle for Cognition clients to do targeted marketing and market research through the use of a well monitored and validated sample of panelists who are representative of the South African population.

MyPoint manages communities that are an aggregation of like-minded consumers' who support a particular brand. Communications with these consumers is managed in compliance

with the Protection of Personal Information Act (POPI) to maintain privacy and permission-based marketing.

Business' data demands, in relation to such communities, are ever expanding and evolving, meaning that the information backbone is similarly expanding. This very often requires data integration, data cleansing, data profiling and, very importantly, data governance in line with the Consumer Protection Act ("CPA"), Electronic Communications and Transactions Act ("ECT") and POPI. All these key components are offered via the Knowledge 350° consulting process.

MyPoint will focus on research companies and clients for varied uses such as: surveys, mystery shopping, geolocation activities, gamification, competitions, product launches and social media activities.

The group's strategic focus during 2015 is to focus on community builds using Knowledge 350° as the roadmap that enables and guides clients to make the transition from "segmented marketing" to "one-to-one" marketing which initially starts with the data collected from clients' own lists or call to action campaigns (MediaWorx) and ends up building a singular, granular view of each customer represented by detailed dashboard and business intelligence tools.

The purpose of these communities (and opted-in databases) would be to enable clients to understand who their customers are through a series of profiling exercises in order to be able to interact (and market) with relevance to their likes, interests, demographics and psychographics.

We have already commenced with a number of community build projects using key elements of Knowledge 350° in the build process.

We have commenced a few projects with some of our existing clients such as: Builders Warehouse, Pep Stores and SABMiller where elements of Knowledge 350° have been incorporated into the community build project which is the commencement of mapping knowledge assets and starts the discussion around developing strategic insights.

Prospects

It is important to note that our move into the Knowledge Economy is incremental to our existing business and creates a completely new revenue stream to the group without any adverse impact on our historical focus and revenue-generating capability.

During 2015 we will focus on:

- encouraging the plethora of clients who currently engage in call to action campaigns, to develop a Knowledge Strategy using the Knowledge 350° roadmap of converting raw data to information and finally knowledge. Once we have mapped the mission-critical knowledge assets with our clients, our strategy is then to develop and exploit the knowledge for monetized value.
- identifying new clients to develop community builds and develop structured knowledge strategies using the 15 steps in Knowledge 350°.
- promoting our new division, Cognition Insights, which incorporates our newly built proprietary software (MyPoint) for panels. This will be a significant representation of the population who will complete surveys and tasks on behalf of brands earning gratuity points in the process.
- aggressively pursuing our acquisition strategy to acquire skills to complement our Knowledge 350° strategy. During the interim period Cognition acquired 63% of BMi Sport Info which specialises in research for the sport and sponsorship market.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

	Growth	Unaudited as at 31 December 2014 R'000	Unaudited as at 31 December 2013 R'000	Audited as at 30 June 2014 R'000
ASSETS				
Non-current assets	123.98%	54 512	24 338	29 018
Property, plant and equipment	1.02%	15 672	15 514	15 847
Intangible assets	31.61%	11 613	8 824	9 911
Goodwill		15 504	-	-
Investment in associates		11 723	-	3 080
Deferred tax asset		-	-	180
Current assets	2.63%	130 272	126 932	138 546
Inventory	159.18%	1 270	490	460
Current tax receivable		520	-	-
Trade and other receivables	18.85%	25 779	21 691	18 944
Cash and cash equivalents	-1.96%	102 703	104 751	119 142
Total assets	22.16%	184 784	151 270	167 564
EQUITY AND LIABILITIES				
Capital and reserves	13.88%	140 859	123 686	137 731
Share capital	0.74%	137	136	136
Share premium	6.64%	55 972	52 488	52 488
Accumulated profits	17.25%	83 317	71 062	85 107
Attributable to the equity of the parent	12.73%	139 426	123 686	137 731
Non-Controlling interest		1 433	-	-
Non-current liabilities	25.05%	6 115	4 890	4 425
Interest bearing liabilities	-13.09%	3 454	3 974	3 479
Deferred tax liability	190.50%	2 661	916	946
Current liabilities	66.61%	37 810	22 694	25 408
Trade and other payables	106.53%	33 893	16 411	16 827
Provisions	-70.81%	1 304	4 468	6 323
Tax payable	274.59%	1 296	346	720
Unclaimed dividends		106	-	106
Current portion of interest bearing liabilities	-17.56%	1 211	1 469	1 432
Total equity and liabilities	22.16%	184 784	151 270	167 564
Net asset value per share (cents)	12.56%	102.36	90.4	101.27
Net tangible asset value per share (cents)	-2.14%	82.65	84.46	93.98
Number of shares in issue	1.19%	137 615 798	136 002 041	136 002 041

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Growth	Unaudited six months ended 31 December 2014 R'000	Unaudited six months ended 31 December 2013 R'000	Audited 12 months ended 30 June 2014 R'000
Revenue	-1.31%	62 448	63 279	118 198
Cost of Sales	-8.09%	(24 651)	(26 822)	(48 122)
		-		
Gross profit	3.68%	37 797	36 457	70 076
Other operating income	-46.36%	323	603	587
Staff costs	-1.83%	(12 370)	(12 600)	(23 063)
Depreciation and amortisation expense	-15.57%	(2 053)	(2 432)	(4 578)
Other operating expenses	10.83%	(6 060)	(5 468)	(9 671)
Finance costs	-13.57%	(197)	(228)	(440)
Income from associates		643	-	-
Investment income	18.85%	3 178	2 674	5 668
Profit before tax	11.87%	21 261	19 006	38 579
Income tax expense	-3.16%	(5 396)	(5 572)	(11 098)
Profit for the period	18.10%	15 865	13 434	27 481
Other comprehensive income		-	-	-
Total comprehensive income for the year	18.10%	15 865	13 434	27 481
Profit attributable to:				
Non-controlling interest		1 141	-	-
Owners of the parent	9.61%	14 724	13 434	27 481
Headline earning reconciliation				
Adjustment for:				
Net after tax (profit) loss on sale of property, plant and equipment		(50)	-	
		-		
Headline earnings	9.23%	14 674	13 434	27 481
Weighted average number of shares in issue		137 282 522	136 002 041	136 002 041
Basic earnings per share (cents)	8.58%	10.73	9.88	20.21
Headline earnings per share (cents)	8.22%	10.69	9.88	20.21
Diluted earnings per share (cents)	8.58%	10.73	9.88	20.21
Diluted headline earnings per share (cents)	8.22%	10.69	9.88	20.2

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share Capital R'000	Share Premium R'000	Total Share Capital R'000	Retained Income R'000	Attributable to Equity Holders R'000	Non-Con- trolling Interest R'000	Total Equity R'000
Audited balance at 1 July 2013	136	52 489	52 625	73 946	126 571	-	126 571
Changes in equity							
Total comprehensive income for the period	-	-	-	13 434	13 434	-	13 434
Dividends	-	-	-	(16 319)	(16 319)	-	(16 319)
Total changes	-	-	-	(2 885)	(2 885)	-	(2 885)
Unaudited balance at 1 January 2014	136	52 489	52 625	71 061	123 686	-	123 686
Changes in equity							
Total comprehensive income for the period	-	-	-	14 045	14 045	-	14 045
Dividends	-	-	-	-	-	-	-
Total changes	-	-	-	14 045	14 045	-	14 045
Audited balance at 1 July 2014	136	52 489	52 625	85 106	137 731	-	137 731
Changes in equity							
Total comprehensive income for the period	-	-	-	14 724	14 724	1 141	15 865
Issues of shares	1	3 484	3 485	-	3 484	-	3 484
Non-Controlling interest as a result of acquisition	-	-	-	-	-	292	292
Dividends	-	-	-	(16 514)	(16 514)	-	(16 514)
Total changes	1	3 483	3 484	(1 790)	1 695	1 433	3 128
Unaudited balance at 31 December 2014	137	55 973	56 109	83 316	139 426	1 433	140 859

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

Growth	Unaudited six months ended 31-Dec 2014 R'000	Unaudited six months ended 31-Dec 2013 R'000	Audited 12 months ended 30-Jun 2014 R'000
Cash flow from operating activities	26 375	14 529	36 253
Net cash generated from operations	28 028	16 862	40 932
Finance costs	(197)	(228)	(440)
Investment income	3 178	2 674	5 669
Normal tax paid	(4 634)	(4 779)	(9 908)
Cash flow from investing activities	(26 054)	(1 959)	(8 691)
Purchase of property, plant and equipment	(668)	(616)	(2 180)
Proceeds on disposal of property, plant and equipment	77	96	252
Investment in Associates	(4 514)	-	(3 081)
Increase in loans receivable	(4 496)	-	-
Acquisition of business	(13 531)	-	-
Product development cost	(2 922)	(1 439)	(3 682)
Cash flow from financing activities	(246)	(835)	(1 471)
Dividends paid	(16 513)	(16 319)	(16 283)
Net increase in cash and cash equivalents	(16 439)	(4 584)	9,808
Cash and cash equivalents at beginning of the period	119 142	109 335	109 334
Cash and cash equivalents at end of the period	102 703	104 751	119 143

BASIS OF PREPARATION

The accounting policies applied in the preparation of these unaudited consolidated interim results, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards and are consistent with those applied in the annual financial statements for the year ended 30 June 2014. These unaudited consolidated interim results, as 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, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE.

These financial statements have been prepared under the supervision of Mr Pieter Scholtz CA(SA): Financial Director.

The unaudited consolidated interim results for the six months ended 31 December 2014 have not been reviewed by the group's auditors.

SEGMENTAL 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 reportable segments:

- Active Data Exchange Services
- Knowledge Creation and Management

During the period under review the group merged its BizWorx and MediaWorx divisions and from now on will report them together under Active Data Exchange Services. The group also created a new division called Knowledge Creation and Management.

	Unaudited six months ended 31 December 2014 R'000	Unaudited six months ended 31 December 2013 R'000	Audited 12 months ended 30 June 2014 R'000
Revenue			
Active Data Exchange Services	49 172	61 292	114 439
Knowledge Creation and Management	13 277	1 987	3 759
	62 449	63 279	118 198
Cost of sales			
Active Data Exchange Services	(21 234)	(26 729)	(47 934)
Knowledge Creation and Management	(3 417)	(93)	(188)
	(24 651)	(26 822)	(48 122)
Gross Profit			
Active Data Exchange Services	27 937	34 563	66 505
Knowledge Creation and Management	9 860	1 894	3 571
	37 797	36 457	70 076

The accounting policies applied to the operating segments are the same as those described in the basis of preparation paragraph above. Active Data Exchange Services are provided within South Africa as well as in 36 African countries ("Africa sales"). Within the period under review, 1.1% (2013: 1.6%) of its 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 Services currently generates 59.2% (2013: 59.9%) of its revenue through three large network service providers. The reconciliation of the gross profit to profit before taxation is provided in the statement of comprehensive income. The CODM reviews these 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.

Acquisition of subsidiary

The group acquired 63% of the shareholding in the BMI Sport Info Group with the effective date being 1 July 2014. The fair values of the identifiable net assets and liabilities of the BMI Sport Info Group as at date of acquisition were:

	R'000
Trade and other receivables	1 154
Bank and cash	2 469
Current liabilities	(2 836)
Totals Equity	787
Non-controlling interest on acquisition	(291)
Equity attributable to equity holders of the parent	496
Acquisition value	(16 000)
Goodwill	(15 504)
Cash outflow on acquisition of subsidiary	
Acquisition value	(16 000)
Bank and Cash Acquired	2 469
Net cash outflow on acquisition of subsidiary	(13 531)

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

	Unaudited six months ended 31-Dec 2014	Unaudited six months ended 31-Dec 2013	Audited 12 months ended 30-Jun 2014
The calculation of earnings per share is based on profits of R14,7 million attributable to equity holders of the parent (2013: R13,4million) and a weighted average of 137 282 522 (2013: 136 002 041) ordinary shares in issue during the period.	10.73 cents	9.88 cents	20.21 cents
The calculation of headline earnings per share is based on profits of R14,7 million adjusted to R14,6 million attributable to equity holders of the parent (2013: R13,4 million) and a weighted average of 137 282 522 (2013:136 002 041) ordinary shares in issue during the period.	10.69 cents	9.88 cents	20.21 cents
	Unaudited six months ended 31-Dec 2014 R'000	Unaudited six months ended 31-Dec 2013 R'000	Audited 12 months ended 30-Jun 2014 R'000
Reconciliation between earnings and headline earnings			
Profit attributable to equity holders of parent	14 724	13 434	27 481
Profit on disposal of property, plant and equipment:	(69)	-	-
Tax effect of the disposal of property, plant and equipment	19	-	-
Headline earnings	14 674	13 434	27 481
The calculation of diluted earnings per share is based on profits of R14,7 million attributable to equity holders of the parent (2013: R13,4million) and a weighted average of 137 282 522 (2013: 136 002 041) ordinary shares in issue during the period.	10.73 cents	9.88 cents	20.21 cents
There were no instruments issued during the current period that have a dilutive impact.			

DIVIDEND POLICY

It is the board's policy to pay annual dividends and therefore no interim dividend has been declared for this interim period. Dividends paid during the interim period relate to dividends declared in prior periods.

DIRECTORATE

There were no changes to the board during the interim period.

SUBSEQUENT EVENTS

The Board is not aware of any material events that have occurred between the end of the interim period and the date of this report.

APPRECIATION

We thank our customers, partners, dealers, staff and other service providers for their continued support, loyalty and dedication.

For and on behalf of the board

Ashvin Mancha
Chairman

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
26 March 2015



Directors: Ashvin Mancha##* - Chairman,
Mark Smith – Chief Executive Officer, Pieter Scholtz - Financial Director,
Gaurang Mooney* (Botswana), Graham Groenewaldt – Sales Director,
Paul Jenkins##*, Roger Pitt##*, Marc du Plessis#, Piet Greyling#

Non-executive

* *Independent*

Website: www.cgn.co.za

Company Secretary: Stefan Kleynhans

Sponsor: Merchantec Capital

Transfer Secretaries: Computershare Investor Services Proprietary Limited