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 2020

HIGHLIGHTS

	Change	Reviewed as at 30 June 2020	Audited as at 30 June 2019 Restated *
Revenue	22.32%	263 165 582	215 148 998
Gross profit	37.76%	213 981 491	155 324 952
EBITDA before impairments	-1.12%	27 386 624	27 698 012
(Loss)/Profit before tax	-131.05%	(7 284 540)	23 457 252

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rands	**Change**	**Reviewed as at 30 June 2020**	**Audited as at 30 June 2019 Restated ***
Assets			
Non-Current Assets			
Property, plant and equipment	-7.87%	15 806 521	17 157 487
Right-of-use assets	100.00%	10 176 361	-
Goodwill	-17.87%	101 579 938	123 679 938
Intangible assets	-13.38%	32 846 932	37 919 317
Investment in associates	-41.48%	2 528 001	4 320 080
Deferred tax asset	58.83%	3 009 564	2 560 146
	-10.61%	**165 947 317**	**185 636 968**
Current Assets			
Trade and other receivables	-18.29%	41 357 241	50 616 847
Current tax receivable	19.08%	1 137 539	955 261
Cash and cash equivalents	-30.57%	85 704 579	123 439 929
	-26.75%	**128 199 359**	**175 012 037**
Total Assets	-18.37%	**294 146 676**	**360 649 005**
Equity and Liabilities			
Equity			
Share capital	-12.87%	159 420 500	182 967 544
Change in ownership	0.00%	(12 892 945)	(12 892 945)
Retained income	-40.31%	66 101 544	110 745 145

	-24.28%	212 629 099	280 819 744
Non-controling interest	39.39%	21 493 151	15 418 999
	-20.97%	**234 122 250**	**296 238 743**
Liabilities			
Non-Current Liabilities			
Lease liability	100.00%	8 836 349	-
Deferred tax liability	-39.89%	5 341 245	8 885 251
Cash-settled share-based payment liability	-9.69%	1 009 406	1 117 677
	51.83%	**15 187 000**	**10 002 928**
Current Liabilities			
Lease liability	100.00%	2 284 925	-
Current tax payable	206.11%	1 954 537	638 516
Provisions	3.95%	2 062 050	1 983 764
Trade and other payables	-26.13%	28 617 394	38 739 857
Dividend payable	10.88%	232 706	209 874
Third party prize money	-24.54%	9 685 814	12 835 323
	-17.59%	**44 837 426**	**54 407 334**
Total Liabilities	-6.35%	**60 024 426**	**64 410 262**
Total Equity and Liabilities	-18.37%	**294 146 676**	**360 649 005**
Net asset value per share (cents)	-19.60%	92.74	115.35
Net tangible asset value per share (cents)	-30.15%	34.11	48.83
Shares in issue	-5.82%	229 273 021	243 449 131

** See note 2 for details regarding the restatement for measurement period adjustment*

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

Figures in Rands	**Change**	**Reviewed for the year ended 30 June 2020**	**Audited for the year ended 30 June 2019 Restated ***
Revenue	22.32%	263 165 582	215 148 998
Cost of services	-17.79%	(49 184 091)	(59 824 046)
Gross profit	**37.76%**	**213 981 491**	**155 324 952**
Other operating income	-76.84%	652 811	2 819 203
Other operating losses	646.27%	(478 910)	(64 174)
Staff costs	35.84%	(106 348 655)	(78 290 410)
Depreciation and amortisation expense	54.91%	(14 901 001)	(9 619 333)
Allowance for expected credit losses	15.78%	(1 331 264)	(1 149 801)

Impairment of goodwill	1000.15%	(22 100 000)	(2 008 821)
Impairment of investment	100%	(1 660 624)	-
Operating expenses	55.25%	(79 088 849)	(50 941 758)
Operating (loss) / profit	**-170.16%**	**(11 275 001)**	**16 069 858**
Investment income	-26.36%	5 287 977	7 180 703
Finance costs	677.77%	(1 356 794)	(174 447)
Income from equity accounted investments	-84.45%	59 278	381 138
(Loss) / Profit before taxation	**-131.05%**	**(7 284 540)**	**23 457 252**
Taxation	-38.04%	(5 013 178)	(8 090 529)
Total comprehensive (loss) / income for the year	-180.03%	**(12 297 717)**	**15 366 723**
(Loss) / Profit for the year attributable to:			
Owners of the parent	-242.19%	(18 371 869)	12 920 277
Non-controlling interest	148.28%	6 074 152	2 446 446
	-180.03%	**(12 297 718)**	**15 366 723**
Basic (loss) / earnings per share (cents)	**-209.57%**	(7.90)	7.21
Diluted (loss) / earnings per share (cents)	**-209.57%**	(7.90)	7.21
Headline earnings per share (cents)	**-72.13%**	2.33	8.36

** See note 4 for details regarding the restatement for measurement period adjustment*

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in Rands	Share Capital / Stated capital	Share Premium	Total Share capital	Equity due to change in ownership	Retained income	Total Equity attributable to holders of the group	Non-controling interest	Total Equity
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 (restated)*	-	-	-	-	12 920 277	12 920 277	2 446 446	15 366 723
Total comprehensive income for the year	-	-	-	-	12 920 277	12 920 277	2 446 446	15 366 723
Issue of shares	127 000 000	-	127 000 000	-	-	127 000 000	-	127 000 000
JSE - Listing fee	(142 907)		(142 907)	-	-	(142 907)	-	(142 907)
Conversion of no par value shares	55 972 835	(55 972 835)	-	-	-	-	-	-
Dividends	-	-	-	-	(8 256 948)	(8 256 948)	-	(8 256 948)
Acquisition of subsidiary	-	-	-	-	-	-	12 219 678	12 219 678
Total contributions by and distributions to owners of company recognised directly in equity	182 829 928	(55 972 835)	126 857 093	-	(8 256 948)	118 600 145	12 219 678	130 819 823
Balance at 1 July 2019	**182 967 544**	**-**	**182 967 544**	**(12 892 945)**	**110 745 145**	**280 819 744**	**15 418 999**	**296 238 743**
Loss for the year	-	-	-	-	(18 371 870)	(18 371 870)	6 074 152	(12 297 718)
Total comprehensive income for the year	-	-	-	-	(18 371 870)	(18 371 870)	6 074 152	(12 297 718)
Share buy-back	(23 547 044)	-	(23 547 044)	-	-	(23 547 044)	-	(23 547 044)
Dividends	-	-	-	-	(26 271 732)	(26 271 732)	-	(26 271 732)
Total contributions by and distributions to owners of company recognised directly in equity	(23 547 044)	-	(23 547 044)	-	(26 271 732)	(49 818 776)	-	(49 818 776)
Balance at 30 June 2020	**159 420 500**	**-**	**159 420 500**	**(12 892 945)**	**66 101 543**	**212 629 099**	**21 493 151**	**234 122 250**

REVIEWED PRELIMINARY CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Rands	Change	Reviewed for the year ended 30 June 2020	Audited for the year ended 30 June 2019
Cash flows from operating activities			
Cash generated from operations	**101.4%**	23 290 383	11 561 902
Interest income		5 287 977	7 180 703
Finance costs		(1 356 794)	(174 447)
Tax paid		(7 872 859)	(11 296 494)
Net cash from operating activities	**183.22%**	**19 348 707**	**7 271 664**
Cash flows from investing activities			
Purchase of property, plant and equipment		(997 393)	(3 073 383)
Sale of property, plant and equipment		58 982	-
Purchase of intangible assets		(4 709 977)	(4 257 436)
Cash acquired in business combinations		-	29 662 531
Dividend from associate		190 733	667 581
Net cash from investing activities	**-123.73%**	**(5 457 655)**	**22 999 293**
Cash flows from financing activities			
Share issue cost		-	(142 907)
Share buy-back		(23 547 044)	-
Repayment of other financial liabilities		-	(2 472 483)
Repayment of interest bearing liabilities		-	(372 335)
Dividends paid		(26 248 900)	(8 234 156)
Movement in lease liability		(1 830 458)	-
Net cash from financing activities	**371.16%**	**(51 626 402)**	**(11 221 881)**
Total cash and cash equivalents movement for the year		**(37 735 350)**	**19 049 076**
Cash and cash equivalents at the beginning of the year		123 439 929	104 390 853
Total cash and cash equivalents at end of the year	**-30.57%**	**85 704 579**	**123 439 929**

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 2019 except for the first time adoption of IFRS 16 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.

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

2. CHANGE IN ACCOUNTING POLICY

IFRS 16: Leases

IFRS 16 is a new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group has adopted the standard for the first time in the 2020 annual financial statements.

The impact of the standard is as set out below.

The Group adopted IFRS 16 – Leases, the new accounting standard for leases from 1 July 2019. The Group has one lease relating to the lease of office space in Umshlanga. All other leases within the Group are for a period 12 months or less or of a low value and therefore the Group applied practical expedients for such leases.

The Group elected to use the modified retrospective approach on adoption which means that comparative information was not adjusted for, but cumulative prior year adjustments were processed in retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and is reported under the previous standards.

The Group has measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application and recognised a right-of-use asset at 1 July 2019. The right of use asset is equal to the lease liability.

Impact on financial statements on transition:

On transition to IFRS 16, the Group recognised right-of-use assets together with additional lease liabilities. The impact on transition is recognised below as at 1 July 2019.

Figures in Rands	**1 July 2019**
Right-of-use assets	12 951 732
Lease liability	(12 951 732)
	-

The total undiscounted operating lease commitments as at 30 June 2019 amounted to R16 480 284 and the lease liability as at 1 July 2019 amounted to R12 951 732. The differences relate to extension periods previously not included in the lease commitments which increased the undiscounted operating lease commitments. The undiscounted operating lease commitments balance was discounted using the Group's incremental borrowing rate curve which is 10.25%.

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

Operating lease commitment at 30 June 2019 as previously disclosed	17 134 578
Less: Lease commitments shorter than 12 months	(653 754)
Add: Adjustments as a result of a different treatment of extension and termination options	-
Total commitments to be discounted using incremental borrowing rate	16 480 824
Lease liability recognised as at 1 July 2019	12 951 732

As a result of initially applying IFRS 16 in relation to the leases that were previously classified as operating leases, the Group recognised R10 176 361 of right-of-use assets and R11 121 274 of lease liabilities as at 30 June 2020.

Also, in relation to those leases under IFRS 16, the Group recognised depreciation and interest costs, instead of operating lease expenses. During the period, the Group recognised R2 775 371 of depreciation, R1 246 171 of interest costs in net interest expense and operating lease reversals of R3 076 629 for these leases.

3. (LOSS)/EARNINGS PER SHARE

Figures in Rands	**Reviewed for the year ended 30 June 2020**	**Audited for the year ended 30 June 2019 Restated***
The calculation of (loss) / earnings per share is based on a loss of R18 371 870 attributable to equity holders of the parent (2019: profits of R12 920 277) and a weighted average of 232 501 927 (2019: 179 079 268) ordinary shares in issue during the year.	(7.90) cents	7.21 cents
The calculation of headline earnings per share is based on profits of R5 427 256 attributable to equity holders of the parent (2019: R14 975 303) and a weighted average of 232 501 927 (2019: 179 079 268) ordinary shares in issue during the year.	2.33 cents	8.36 cents
Reconciliation between earnings and headline earnings		
Profit attributable to ordinary shareholders of parent	(18 371 870)	12 920 277
Profit on disposal of property, plant and equipment	53 891	64 174
Tax effect of the disposal of property, plant and equipment	(15 089)	(17 969)
Impairment of goodwill	22 100 000	2 008 821
Impairment of investment in associate	1 660 624	-
	5 427 556	14 975 303

The calculation of diluted (loss) / earnings per share is based on a loss of R18 371 870 attributable to equity holders of the parent (2019: profits of R12 920 277) and a weighted average of 232 501 927 (2019: 179 079 268) ordinary shares in issue during the year.	(7.90) cents	7.21 cents

4. RECLASSIFICATION OF PRIOR YEAR'S FIGURES

On 1 February 2019, the Group acquired 50.01% of Private Property South Africa Proprietary Limited ("PPSA" or "Private Property"). The acquisition was provisionally accounted for in terms of the allowance per IFRS 3 Business Combinations. In the business combination of PPSA, an estimated fair value was placed on intangible assets as the purchase price allocation valuation of these assets had not been completed as at 30 June 2019.

The valuation of these assets, namely the Private Property Brand, Customer Relationship and Internally Generated Software, has subsequently been finalised.

	As previously reported	**Adjustment**	**As restated**
Statement of Financial Position			
Goodwill	143 098 219	(19 418 281)	123 679 938
Intangible Assets	13 325 386	24 593 931	37 919 317
Retained income	(112 455 802)	1 710 658	(110 745 144)
Deferred tax liability	(1 333 688)	(7 551 563)	(8 885 251)
Deferred tax asset	1 894 890	665 255	2 560 145
Statement of Financial Performance			
Depreciation and amortisation expense	(7 243 420)	(2 375 913)	(9 619 333)
Taxation	(8 755 785)	665 255	(8 090 530)
Total comprehensive income for the year	17 077 380	(1 710 658)	15 366 722
Profit attributed to owners of the parent	14 630 934	(1 710 658)	12 920 276

5. GOODWILL

		2020	
Figures in Rands	**Cost**	**Accumulated Impairment**	**Carrying Value**
Goodwill - Bmi Sport Group	**13 832 975**	**(12 800 000)**	**1 032 975**
Goodwill - Bmi Research Group	**14 489 731**	**(9 300 000)**	**5 189 731**
Goodwill - Private Property	**95 357 232**	**-**	**95 357 232**
	123 679 938	**(22 100 000)**	**101 579 938**

Reconciliation of Goodwill - 2020

Figures in Rands	**Opening Balance**	**Acquisition through business combination**	**Impairment Loss**	**Carrying Value**

Goodwill - Bmi Sport Group	**13 832 975**	**-**	**(12 800 000)**	**1 032 975**
Goodwill - Bmi Research Group	**14 489 731**	**-**	**(9 300 000)**	**5 189 731**
Goodwill - Private Property	**95 357 232**	**-**	**-**	**95 357 232**
	123 679 938	**-**	**(22 100 000)**	**101 579 938**

Reconciliation of Goodwill – 2019 (restated)

Figures in Rands	**Opening Balance**	**Acquisition through Business combination**	**Impairment Loss**	**Carrying Value**
Goodwill - Bmi Sport Group	**15 841 796**	**-**	**(2 008 821)**	**13 832 975**
Goodwill - Bmi Research Group	**14 489 731**	**-**		**14 489 731**
Goodwill - Private Property	**-**	**95 357 232**	**-**	**95 357 232**
	30 331 527	**95 357 232**	**(2 008 821)**	**123 679 938**

For the purpose of annual impairment testing, the goodwill was matched with the related asset that gave rise to the goodwill.

BMi Sport Group
BMi Sport Group's goodwill is tested for impairment valued by determining the current value of the future projected cashflow for 5 years including the calculation of a terminal value after the period using an average growth rate of 1.21% (2019: 1.58%). Even though BMi Sport Group is still profitable, the current economic climate is resulting in lower than expected sales in the sport sponsorship and research industry. As a result management only estimated a growth of 1.21% (2019: 1.58%) for the forthcoming years resulting in the Goodwill being impaired by R12 800 000 (2019: R2 008 821) by the Group.

The cashflow projections are in line with the normal rates achieved by the asset in the past. Improved cost efficiencies have been taken into account where applicable. Bmi Sport is reported within the Knowledge Creation and Management Segment.

The recoverable amount of the asset was calculated to be R8 682 198 (2019: R21 690 916).

If the future growth rate is increases by 1% then the value of the asset value calculated will be R9 969 272 (2019: R22 995 610). If the future growth rate is decreased by 1% then the value of the asset value calculated will be R7 443 732 (2019: R20 416 314) resulting in further impairment of the asset to the value of R1 238 466 (2019: R1 544 602).

Management's key assumptions include gradual improvement in profit margins, based on the normal margins achieved within similar business in the Group. If the discount rate is increased by 1% then the value of the asset value calculated will be R8 635 912 (2019: R21 145 905). If the discount rate is decreased by 1% then the value of the asset value calculated will be R8 730 506 (2019: R22 262 086).

BMi Research
BMi Research's goodwill is tested for impairment valued by determining the current value of the future projected cashflow for 5 years including the calculation of a terminal value after the period using an average growth rate of 5% (2019: 8%). As a result management only estimate a growth of 5% for the forthcoming years resulting in the goodwill being impaired by R9 300 000 (2019: R Nil) by the Group. The cashflow projections are in line with the normal rates achieved by the asset in the past. BMi Research is reported within the Knowledge Creation and Management Segment.

The recoverable amount of the asset was calculated to be R19 679 462 (2019: R32 232 008).

If the future growth rate is increases by 1% then the value of the asset value calculated will be R23 478 575 (2019: R35 604 291). If the future growth rate is decreased by 1% then the value of the asset value calculated will be R16 258 629 (2019: R28 936 454), which will result in impairment to the value of R3 420 833 (2019: R3 295 463).

The discount rate of 22% (2019: 19%) used reflect the appropriate costs of capital and risks associated with the asset. Management's key assumptions include gradual improvement in profit margins, based on the normal margins achieved within similar business in the Group. If the discount rate is increased by 1% then the value of the asset value calculated will be R19 278 243 (2019: R31 408 690). If the discount rate is decreased by 1% then the value of the asset value calculated will be R20 099 003 (2019: 33 095 454).

Private Property South Africa
Private Property South Africa's is tested for impairment valued by determining the current value of the future projected cashflow for 5 years including the calculation of a terminal value after the period using an average growth rate of 10% (2019: 15%).

Management based its growth rate on the sales growth of the Private Property over the past three years and taking into account a reduction in operating cost in the forthcoming years. The cashflow projections are in line with the growth rate the assets was able to achieve in the past. Private Property South Africa is reported within the Knowledge Creation and Management Segment.

The recoverable amount of the asset was calculated to be R151 840 000 (2019: R184 507 000) for the 50.01% of the shares held by the Group.

If the future growth rate is increases by 1% then the value of the asset value calculated will be R171 134 000 (2019: R204 719 000). If the future growth rate is decreased by 1% then the value of the asset value calculated will be R133 166 000 (2019: R164 915 000).

The discount rate of 18.9% (2019: 18.6%) used reflect the appropriate costs of capital and risks associated with the asset. Management's key assumptions include that operational cost of the asset will gradually improve over the next 5 years. If the discount rate is increased by 1% then the value of the asset value calculated will be R147 081 000 (2019: R178 507 000). If the discount rate is decreased by 1% then the value of the asset value calculated will be R156 833 000 (2019: R191 014 000).

6. SEGMENTAL REPORTING

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (“the CODM”). These chief operating decision makers 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"). For the period under review, 11.14% (2019: 11.90%) 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.

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 in Africa, the service is set-up and operated predominantly in South Africa.

Figures in Rands	Change	Reviewed for the year ended 30 June 2020	Audited for the year ended 30 June 2019
Gross Revenue			
Active Data Exchange Services	-43.62%	53 789 282	95 407 285
Knowledge Creation and Management	4.75%	375 974 148	358 933 959
	-5.41%	429 763 430	454 341 244
Revenue generated as agency services			
Active Data Exchange Services	-92.48%	(2 500 205)	(33 238 314)
Knowledge Creation and Management	-20.32%	(164 097 643)	(205 953 932)
	-30.35%	(166 597 848)	(239 192 246)
Revenue			
Active Data Exchange Services	-17.50%	51 289 077	62 168 971
Knowledge Creation and Management	38.50%	211 876 505	152 980 027
	22.32%	263 165 582	215 148 998
Cost of sales			
Active Data Exchange Services	54.55%	(18 968 319)	(12 273 557)
Knowledge Creation and Management	-36.46%	(30 215 772)	(47 550 489)
	-17.79%	(49 184 091)	(59 824 046)
Gross Profit			
Active Data Exchange Services	-35.22%	32 320 758	49 895 414
Knowledge Creation and Management	72.31%	181 660 733	105 429 538
	37.76%	213 981 491	155 324 952

COMMENTARY

The board of directors of Cognition ("the Board") presents the results for the financial year ended 30 June 2020.

Group revenue increased by 22.32% from R215 million to R263 million. This was attributable to the acquisition of Private Property that was acquired in February 2019 and enabled Private Property to be included in the Group results for a full financial year compared to the previous year when Private Property was only included for a period of five months. The inclusion of Private Property offset the decline that was experienced by legacy businesses caused by poor economic conditions and exacerbated by the COVID-19 pandemic and subsequent lockdown. The legacy business is made up of the Group prior to the acquisition of Private Property and comprises FoneWorx and the Research Assets being BMi Research and BMi Sport Group.

The Research Assets were the hardest hit by the tough economic conditions which resulted in a reduction in revenue of 32% for the financial year as compared to the prior corresponding period. The Group implemented severe cost cutting measures and reduced the staff count to counter the decline in revenue. Due to prudent management, the Research Assets have more than adequate financial resources available to them and do not require financial assistance from the Group.

As per the segment report in note 6 above, revenue from Active Data Exchange Services declined by 17.5% from R62.1 million to R51.3 million and Gross Profit declined by 35.2% from R49.8 million to R32.3 million. This segment includes services such as Fax2email services and campaign related services that were severely impacted by the COVID-19 lockdown.

The Knowledge Creation and Management segment increased by 38.5%. Gross Profit increased from R105 million to R181 million which was achieved by the inclusion of Private Property for the full financial period.

Earnings Before Interest Depreciation Tax and Amortisation (EBIDTA) and Impairment charges for the Group remained stable at R27.4 million compared to the EBITDA of the previous year of R27.7 million. The EBITDA margin for the Group is 10.41% down from 13.04% in the previous year. Should the Research Assets be excluded from this calculation the Group will have a margin of 13.95% which is in line with the margin as reported in the previous year of 13.05%.

The Group's operational cost increased significantly to R79.1 million from R50.9 million and staff costs increased by 35.8% from R78.2 million to R106.3 million due to the inclusion of Private Property for the full year. The operating costs in the legacy businesses decreased by 7.5% and staff costs for the legacy businesses decreased by 15.5% for the year due to the implementation of cost cutting measures.

During the year under review, the Group finalised the process to fair value of identifiable assets and liabilities. of Private Property. Through this process the Group identified R26 million of intangible assets related to the purchase of Private Property. These intangible assets will be amortised over the next three to five years effective from the date of acquisition. The Group therefore applied the measured period adjustment by amortising from 1 February 2019. The Group's depreciation and amortisation for the past year increased to R14.9 million for the year compared to R9.6 million in the previous year.

In addition, the Group impaired Goodwill related to the Research Assets to the value of R22.1 million and a further R1.7 million relating to the investment in its associate.

With the adoption of IFRS 16 – Leases, the long-term rental of office space is reflected as a contract asset and a lease liability in the Statement of Financial Position with the apportionment of amortisation and finance charges in the Statement of Financial Position. With lower prevailing interest rates and a lower average cash balance, the Group's income from investments reduced by 26% from R7.1 million to R5.2 million.

The net result of the above is that the Group is reporting a loss before taxation of R7.2 million and a comprehensive loss of R12.2 million. Further to this, income to the amount of R6 million relates to non-controlling interests with the resulting loss attributed to the shareholders of the Group being R18.3 million.

Based on the weighted average number of shares in issue for the period of 232 501 927 shares (2019: 179 079 268), (loss) / earnings per share ("EPS") declined by 209.57% from 7.21 cents in the 2019 financial year to a loss of 7.9cents for the period under review. Headline earnings per share ("HEPS"), which does not account for the impairment of goodwill and investments, declined from 8.36 cents per share to 2.33 cents per share.

Statement of Financial Position

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

The Group's cash resources decreased from R123.4 million in the previous financial year to R85.7 million, a decrease of 30.57%. This reduction is due to the buy-back of shares to the value of R23.5 million and the payment of a dividend of R26.2 million. The Group generated R20.5 million cash from operation in the past year.

The Group's Trade and Other Receivables reduced from R50.6 million to R41.3 million with a matching decline in Trade and Other Payables from R38.7 million to R28.6 million. This was as a result of reduced trading activity at year-end due to the impact of COVID-19 and the lockdown.

As mentioned above, the Group finalised the process to fair value the indentifiable assets and liabilities of Private Property. This resulted in a reallocation of Goodwill related to the purchase of Private Property to the value of R19.4 million to intangible assets related to the Private Property brand, customer relationship and the Private Property Platform to the value of R26.9 million and the creation of a deferred tax liability to the value of R7.5 million. The net result is that the Goodwill related to Private Property reduced from the previous reported amount of R114.7 million to R95.3 million.

Equity Movements

During the year, the Group declared and paid a dividend of 10 cents per share relating to the 2019 financial year.

The Group repurchased and cancelled 14 176 110 shares for a consideration of R23 547 044. 14 086 110 shares were repurchased in terms of a settlement agreement concluded between the Group and shareholders holding 14 086 110 shares at a cost of R1.66 per share as determined by in independent valuation expert. The remaining shares were bought on the open market in terms of a general share buy-back scheme.

As at 30 June 2020, the Company did not hold any treasury shares.

Going Concern

In determining the going concern of the Group, the Board carefully considered the impact that COVID-19 will have on each company in the Group within the short-to-medium-term as well as the long-term sustainability. The Group is fortunate that most of its services can be offered remotely and the Group has adequate facilities to ensure that staff that have to operate from it premises can do so with adequate health measures and social distancing in place. All the operating companies in the Group have sufficient working capital and the Group is in a healthy financial position with limited debt. The Board has formally considered the going concern assertion for the year going forward and is of the opinion that it is appropriate.

OPERATIONAL PERFORMANCE

Group Profile

The Cognition Group comprises a number of platform businesses which have technical, software and operational intellectual property, which service either business to business (“B2B”) or business to consumer (“B2C”).

Our strategy is to acquire or conceptualise, build and manage platforms which are two-sided marketplaces that bring customers and providers together to create and exchange value. Once established, our strategy is to scale both sides of the marketplace.

Group Performance

The year under review came with a multitude of challenges. Pre-COVID there was a poor local macro-economic environment which manifested in low levels of consumer confidence resulting in challenging trading conditions. The convergence with the restrained economy and COVID-19 created the foundation for one of the most difficult trading conditions our Group has ever experienced. Business and consumer sentiment plummeted to new depths.

The nationwide lockdown from the 26th of March 2020 has had differential impacts on the various operating businesses of the Group as described in the operational overview.

At the onset of the COVID-19 pandemic and lockdown that followed, our initial response was to evaluate the impact on:

- staff
- subsidiaries and associates

- suppliers and clients

We were able to successfully close our offices and enable staff to be in a position to work remotely. The majority of staff still continue to work from home with around 15% - 20% of our staff working from our offices where remote work is challenging or where essential work needs to be undertaken at the office.

All non-essential capital expenditure was put on hold.

The Group's Cape Town office relocated to smaller offices, reducing rental by around fifty percent. Provision was made to move BMi Research (BMIR) into the Group's head office as the rental for BMiR was ending in August 2020. This will provide significant savings to BMiR.

All staff were briefed on the hygiene aspects of COVID-19 and supplied with the necessary PPE.

New protocols were established for working at the office during lockdown level five to lockdown level three.

Our senior executives and management have taken voluntary remuneration cuts and staff have had remuneration reductions relative to the different lockdown levels.

Divisional Performance

Active Data Exchange Services ("ADES")

ADES are all the Group's communication protocols including: SMS, IVR, USSD, WhatsApp, email and faxing services that typically operate over GSM cellular networks or fixed line operators.

The Group operates its own server hosting environment and has long-established service provider agreements with MTN, Vodacom, Cell C and Telkom.

Where the Group generates traffic on the various networks, it receives revenue from the respective network.

The communication protocols such as SMS and USSD, are all marketed to our clients via our subsidiary company, FoneWorx, via a number of highly trained sales executives.

Our target audience is very broad and incorporates Fast Moving Consumers Goods ("FMCG"), financial services, the liquor industry and general corporate business.

FoneWorx works closely with many digital or traditional advertising agencies and provides the technical services to facilitate promotional and consumer activity.

Brands need to have a greater understanding of their own customers and use the services (ADES) offered by FoneWorx to collect, process, analyse and store data relating to consumers.

The services offered by FoneWorx are in an industry that is highly competitive, however, we have an advantage by providing a "one-stop-shop" in that:

- we manage and develop our proprietary platform
- we have remote access to over 80 mobile networks throughout Africa
- we provide turnkey solutions around concept, design, programme development and product or prize fulfilment.

The period under review has two distinct and diverse trading profiles. Pre-lockdown (March 2020), the sales activity, whilst still relatively challenging due to the stagnant economy, was consistent and trending upwards. This was particularly evident for our clients in the liquor and FMCG environment.

However, from 27 March 2020, starting with lockdown level five, we experienced a dramatic negative downturn on sales with a number of "non-essential service" clients and the liquor industry being unable to trade at all.

This resulted in the cancellation or postponement of many projects and campaigns.

Under level three there was a short reprieve for the liquor industry. However, this was short-lived and the industry was shut down again during level three.

The nationwide lockdown has had a dramatic impact on the majority of businesses which is well documented.

Most companies immediately adopted a “cash preservation strategy” which meant they extracted themselves from activities such as research, promotions, competitions and, needless to mention, consumer engagement activities which were traditionally face-to-face.

We did manage to design and build a number of on-line or mobile applications for the liquor industry to substitute face-to-face interactions in line with social distancing. However, with the second “hard lockdown” of liquor, these have all been placed on hold.

Notwithstanding the above, prior to the lockdown we developed and hosted 250 campaigns on behalf of 60 clients, collectively covering our 120 consumer brands.

miVoucher

At the commencement of the lockdown we had conceptualised and started the build of a new platform which offers both businesses and consumers access to vouchers across a broad range of activities including: electricity, data, airtime, betting, food, fashion, lifestyle, entertainment and technology. This incorporates vouchers that cover over 400 brands.

The platform enables a brand that wishes to purchase vouchers for staff incentives or for clients or for either promotions or competitions, to access the self-provisioning platform and select from the range of sectors offered. This will establish a new revenue stream for FoneWorx and augurs well for an on-line digital offering particularly during the COVID-19 “new normal”. The platform will launch in September 2020.

Document Exchange Services

These services, which form part of ADES, include our Fax2Email, Email2Fax and SecurDox. We have reported a continuous decline in faxing, yet we still maintain a database of 52,000 subscribers. With the lockdown there has been a further drop in volumes. However, this has picked up during lockdown level three.

With the promulgation of the remaining sections of POPIA, our blockchain secure messaging platform (SecurDox) should become an alternative to faxing.

Channel Incentive and Loyalty

The Group’s Channel Incentive Platform is a proprietary platform which enables companies who sell products or services to incentivise staff or agents on successful sales.

The platform is accessed via a mobile app or website and is supported by a team of moderators and a fully-fledged call centre.

The platform has various modules including: FIA registration, claims, processing, moderation of claims, fraud detection, velocity checks and reporting dashboards.

Funds allocated to participants are paid into an electronic wallet managed by a registered bank and participants are allocated Mastercard debit co-branded cards and transfer funds from their wallet to the Mastercard.

To date we have close to 11,000 active members with cards.

The platform has, since inception in November 2015, processed over R500 million in claims.

During the lockdown levels five and four, all mobile retail outlets (MTN, Vodacom, Cell C and Telkom) selling mobile devices were forced to close down and this had a dramatic impact on our weekly claims. On average the platform processes around 13,000 claims per week. However, during the lockdown this dropped to around 160 claims per week. When the retail channels were allowed to re-open, there were stock shortages which took a few weeks to re-establish. We are pleased to advise that our claims processing has returned to its historical trends pre-COVID.

In the latter half of June 2020, we commenced discussions with a new client for the Channel Incentive Platform. Post the year-end, the client has concluded a contract and we will onboard this client by 1 October 2020.

<u>Platform Technology and Knowledge Management</u>

Businesses need to know their customers to retain them, extract value from them and offer them value.

Data is becoming increasingly important to every business, yet it will become harder to come by for the following reasons:

- Privacy legislation: the Protection of Personal Information Act ("POPIA") has now been promulgated and every business in South Africa must be compliant by July 2021.
- Consumers are "pushing back" against unwanted communications or spam.
- Third party data is under threat and won't be supported by 2022.

Given the acceleration of the above factors, the Group is aggregating its Knowledge Management and Personal Information Management platforms (previously referred to as mibubble) to launch a fully-fledged Consumer Data Platform ("CDP") to enable consumers to self-curate critical personal information, store the data and share the data with brands of their choice in exchange for rewards. The promulgation of the remaining sections of POPIA has now firmly placed the potential of this platform on the map.

Any business that processes personal consumer data will need to be able to manage this data in a POPIA and GDPR compliant manner and concurrently be able to monetise this data with full transparency and consent of the consumer.

<u>Research Assets</u>

<u>BMi Research (Proprietary) Limited ("BMiR")</u>

Pre-COVID-19, the decision was taken to restructure BMiR with a view to placing human and financial resources behind service offerings and products that had greater propensity for growing market share and to either close less performing service offerings or merge them into other divisions.

This process was successfully concluded by the end of June 2020 and has resulted in:

> Focussing the business on two primary drivers:

  - Market performance, consumer behaviour and business insights
  - Pricing intelligence and revenue growth management

> Reducing staff count by nine

> Relocating the business into the offices of Cognition.

The business is re-focussed and re-energised; however, it has faced many challenges since the lockdown on 27 March 2020.

Given the strategy of "cash preservation" adopted by most companies, many research projects have either been cancelled, postponed or reduced in scope and value.

During lockdown level five to level three, BMiR staff who undertake regular in-store pricing surveys were prohibited to enter many stores to carry out research and data gathering projects.

On the positive side, given that the business managed a remarkable re-structure during lockdown level five to lockdown level three, the business is very well poised to leverage its new structure post COVID.

BMi Sport Info (Proprietary) Limited ("BMiS")

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

Pre-COVID-19 lockdown, BMiS was experiencing challenging conditions due to the poor economic conditions and challenges facing many sporting codes, resulting in many blue-chip brands cutting back on sponsorships and research.

From lockdown level five (27 March 2020) there was a total prohibition on all sporting codes which, needless to say, had a devastating impact on this business. BMiS's primary source of revenue relies on the evaluation and quantification of live sports and events, where data on these events is measured via television, radio and print. Data is collected on each event and insights and reports generated from the raw data. With a prohibition on all sports, this, needless to say, has had a negative impact on the collection and processing of data.

The business was fortunate to have existing long-term contracts which has allowed it to navigate through this very difficult period. Post year-end it has managed to secure some tenders and is seeing some early "green shoots" of a slow recovery. It is uncertain when all sports will resume and when spectators will be able to return to stadiums, so it is anticipated that there will be a slow recovery.

Property Portfolio

Private Property South Africa (Proprietary) Limited ("PPSA")

As mentioned in our previous reporting period, the Group acquired 50.01% of PPSA, with effect from 1 Janaury 2019.

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

Under the new leadership of Amasi Mwela and a restructured executive team, a number of exciting milestones and new developments unfolded during the period under review and prior to the much-documented lockdown. These include:

- The Property Show, organised by PPSA, which is the ideal platform for anyone looking to further their property journey whether it's buying, selling, renting or investing.

  These shows bring together the biggest real estate brands, including financial service providers, estate agents, developers and conveyancers. These shows offer educational and inspirational theatres offering practical property advice and knowledge to help educate thousands of visitors.

  Two very successful shows were held in Durban (August 2019) and Johannesburg (October 2019) with the Cape Town show (March 2020) being cancelled due to the national lockdown.

- Realignment of the Property Power book in partnership with Private Property. The book is designed to empower home buyers, home sellers, first-time property investors and owner-builders with knowledge regarding important aspects of property.

- The launch of the new brand positioning and logo. This new brand positioning reflects the new business strategy of expanding beyond digital, towards a multi-channel approach that includes a variety of physical, print and digital touch points to bring the platform closer to consumers.

- A partnership with South Africa’s largest retail bank, ABSA, to enhance collaboration.

- Enhanced metrics that reflect the improved performance of the platform incorporating: sessions, unique users, page views, sales leads and rental leads.

The lockdown from 27 March 2020 had a negative impact on the platform throughout levels five and four, where the regulations prevented the face-to-face filming of property listings and similarly show days for potential sales. This had a negative impact on revenues.

Pursuant to the lockdown, management adopted a mitigation plan which included:

> Offering a 25% discount to estate agents for a period of three months

> Postponement of the annual price increase

> Reducing the marketing budget and focussing on digital marketing where the business has gained good traction since the re-brand

During lockdown level three, post the year-end, the business improved dramatically and new listings were substantially increased.

PROSPECTS

I have been truly encouraged to witness the resilience and fortitude of our respective leaders of each of the Group’s operating assets as well as our senior management and staff.

We have often heard the maxim “Never waste a good crisis”, this is now more relevant than ever.

The combination of an ailing economy and the COVID-19 pandemic will fundamentally change business forever.

The recovery for most businesses will be long and fraught with challenges.

The impact of COVID-19 has demonstrated which businesses are more or less defensive against “traumas” of this nature.

As businesses, we all need to accept a new paradigm and look to re-inventing and innovating our businesses to adapt to these new realities.

As a Group, we have managed to navigate through these uncertain times with some great insights that will assist us in our recovery phase.

We have some exciting and resilient assets with solid leadership at the operational level to help us in this period of transformation, although we appreciate that market conditions will remain challenging.

I would like to express my sincere gratitude to all my fellow board members, leaders of each of our assets, staff and partners for their dedication and hard work during these unprecedented times.

REVIEW OPINION

The Group’s auditor, BDO South Africa Inc. has reviewed the preliminary condensed consolidated results for the year ended 30 June 2020 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.

DIRECTOR CHANGES

Mr. Petrus Gerhardus Greyling who served as a Non-executive director of Company passed away on 13 April 2020. Mr. Amasi Mwela, the CEO of Private Property South Africa Proprietary Limited was appointed as a Non-executice director of the Company on 15 June 2020.

EVENTS AFTER REPORTING PERIOD

On 15 March 2020 the Government declared a national state of disaster due to the COVID-19 pandemic. In declaring the national state of disaster the Governemnt implemented a nationwide lockdown which restricted the movement of people and resulted in most sectors of the economy not being able to operate.

The lockdown restrictions have gradually eased. Subesequent to the reporting date of 30 June 2020 the country was at lockdown level three which, although not as severe as the initial lockdown still restricted certain sectors of economy such as the liquor industry from operating.

As at 17 September 2020 the country is under lockdown level one with very few restrictions remaining. The Group has been fortunate in that most of operations could be performed by staff working remotely. Despite the ability to continue operations remotely the impact of the lockdown on the broader economy has had an effect on the Group's performance.

The directors are not aware of any other material events which occurred after the reporting date and the date of this report.

DIVIDEND

Due to the National State of Disaster which was declared on 15 March 2020 and the ongoing effects of the country wide lockdown, the Board has resolved not to declare a dividend for the financial year ended 30 June 2020.

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 Monday, 28 September 2020.

For and on behalf of the Board

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

Johannesburg
18 September 2020

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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