COGNITION HOLDINGS LTD

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")

UNAUDITED CONSOLIDATED INTERIM RESULTS
for the six months ended 31 December 2020

HIGHLIGHTS

Statement of Financial Position (Compared to 30 June 2020)

TOTAL ASSETS	**Up 5.1%**
TOTAL EQUITY	**Up 4.8%**
NET TANGIBLE ASSET VALUE PER SHARE	**Up 9.3%**
NET ASSET VALUE PER SHARE	**Up 3.1%**

Statement of Comprehensive Income (Compared to the 6 months ended 31 December 2019)

REVENUE	**Down 15.9%**
GROSS PROFIT	**Down 9.1%**
PROFIT BEFORE TAX	**UP 7.5%**
PROFIT FOR THE PERIOD	**UP 8.7%**
EARNINGS PER SHARE	**UP 14.0%**
HEADLINE EARNINGS PER SHARE	**UP 15.4%**

COMMENTARY

The board of directors of Cognition ("the Board") present the unaudited condensed consolidated interim financial results for the six months ended 31 December 2020 ("the period" or "the interim period"), which should be read in conjunction with the audited annual financial statements for the year ended 30 June 2020.

The Group's Revenue for the interim period of R122.6 million was 15.9% lower than the R145,7 million reported in the comparative period with Gross Profit declining by 9.1% to R102 million down from R112 million in the comparative period. This decline can be attributed to the very difficult economic environment specifically within the Active Data Exchange segment which resulted in a decline of 30% in sales and a concomitant decline of 30% in Gross Profit due to the restrictions on the sale of alcoholic beverages brought about by Level 3 lockdown regulations imposed by Government during the period.

Sales within the Knowledge Creation and Management segment declined by 12% and Gross Profit in the segment decreased by 4.3%. The Research assets within this segment were impacted the most by the weak trading conditions while Private Property showed a marginal decline in Gross Profit. Channel Incentives performed well with an overall increase in Revenue and Gross Profit.

Cost containment measures implemented throughout the Group resulted in an overall reduction in staff costs of 18.4% down from R44.2 million and a 5.6% reduction in other operating expenditure. This resulted in the Group's Profit Before Tax increasing by 7.5% from R14.6 million to R15.7 million for the period and Profit After Tax increasing to R11.1 million (2019: R10.2 million). Non-controlling interest in the above was R4.4 million for the period resulting in the earnings attributed to the owners of the parents increasing by 11.1% from R6.0 million in the previous comparative period to R6.7 million. Earnings Per Share increased from 2.57 cents per share in the previous comparative period to 2.93 cents, a 14% increase.

Cash and Cash Equivalents as at the reporting date increased by 37% from R68.9 million as at 31 December 2019 to R94.6 million at the end of the interim period. Net Asset Value of the Group improved from 94.27 cents as at 30 June 2020 to 97.21 cents, a 3.1% increase for the period, whereas the Net Tangible Asset Value Per Share improved 9.2% from 35.67 cents as at 30 June 2020 to 38.97 cents.

OPERATIONAL OVERVIEW

In general, market conditions remained challenging with certain divisions within the Group continuing to be further impacted by COVID-19 and the restrictions imposed by Government during lockdown, whilst others have managed to "weather the storm" and performed relatively well.

A number of our services within the Group are orientated to businesses ("B2B") who in turn offer our products, services and technology to the end consumer. The impact of COVID-19 has impacted negatively on the businesses of some of our clients who have (at least in the short term) postponed promotional activities and cut back on budgets specifically relating to sponsorships, research and consumer engagement.

The higher unemployment rate coupled with lower consumer disposable income has been evident during the period under review, with consumers reducing spends and engagement.

The prevailing macro-economic conditions associated with COVID-19 and collateral consequences have, nonetheless, required the Group to carefully evaluate its structures, service offerings and cost structures and we have been able, and continue to refine products and service offerings whilst simultaneously reducing operating expenses and maximising efficiencies.

Active Data Exchange Services

MediaWorx provides a broad range of services to advertising agencies, fast moving consumer goods ("FMCG") companies, and brands that engage with consumers.

During the period under review the majority of these clients postponed planned promotions, reduced values or cancelled promotions. All our liquor clients were seriously impacted with the ban on alcohol resulting in most of their campaigns being postponed until March 2021.

Post the interim period, especially with the lifting of the alcohol ban, we have seen an increase in activity which is promising.

MediaWorx obtains a number of briefs from above-the-line and digital agencies who also reported receiving less briefs from the brands that they represent as these brands tried to navigate through the challenges of COVID-19 and changes in consumer behaviour.

With the Protection of Personal Information Act ("POPIA") coming into full force on the 1st of July 2021, we are seeing an increased number of FMCG brands and their agencies engaging with us for solutions around their future engagement around consumers' personal data. We anticipate that this will improve the inflow of briefs in the second part of the financial year.

Document Exchange continued to show a decline of average use per user. It nevertheless still remains profitable as the process is fully automated.

miVoucher

This is primarily offered (at this stage) to businesses to enable them to access a broad range of vouchers to offer to staff, clients for promotional activities and general loyalty rewards.

miVoucher has over 450 brands which cover activities including: data, airtime, electricity, betting, food, lifestyle, fashion, technology and general entertainment.

It operates on a "prepaid" basis and enables businesses to load prepaid funds to use on an ad hoc basis or to simply purchase vouchers on a pay-as-you-go basis.

This product integrates into MediaWorx and, in the main, targets clients serviced by MediaWorx account executives.

With the impact of COVID-19, digital on-line vouchering is gaining momentum, with both businesses and customers spending more time on on-line solutions.

OPERATIONAL OVERVIEW
(continued)

Channel Incentive & Loyalty

This division offers brands a co-ordinated turnkey solution to incentivise staff, agents or dealers via our proprietary platform on a turnkey basis.

We provide consulting, branding advice, conceptualising and formulation of bespoke incentive programmes, the development of a mobile and web-based interface and the issuing of co-branded debit cards as the token for funds to be earned, stored and spent.

During the period under review we successfully managed in excess of 10,000 active users representing two large mobile device suppliers and two white goods suppliers based in South Africa.

Despite consumer disposable income being under pressure, both revenue and gross profit improved against the same period last year. Due to structural changes in the manner in which certain of our clients wish to continue their incentive programmes with us, the ongoing revenue model could be reduced.

Knowledge Management & Platform Technology

With the POPIA coming into full effect on 1 July 2021 a number of our clients, particularly in the digital agency and FMCG environment, are gearing up to manage the collection of consumer data around promotional activity undertaken on behalf of brands as part of their “consumer knowledge management” and Customer Data Platform (“CDP”) journey. We are able to provide enhanced specialist services in line with our CDP offerings to securely process personal information in line with the new and developing regulations. This is being managed on our CDP, which is designed to be POPIA and GDPR compliant, integrated to a marketing platform.

Property Portfolio

The Group owns 50.01% of Private Property South Africa (Pty) Ltd (“PPSA” or “Private Property”).

Private Property continued to perform well in line with its newly stated strategic objectives. It was assisted by a reduction in bank lending rates which provided buoyancy in the residential market and, in particular, the lower to mid-range price brackets.

PPSA is one of South Africa’s foremost on-line property portals and holds a significant market share in the South African property market.

The platform plays a fundamental role in facilitating benefits to both the business to business (“B2B”) and business to consumer (“B2C”) markets.

On the B2B side, Private Property provides a crucial function for businesses in the property ecosystem incorporating real estate agents, banks, mortgage originators, conveyancing attorneys and developers.

The PPSA platform provides all these participants with critical industry intelligence, customer insights and essential leads to formalise introductions culminating in transactions with buyers and sellers.

On the B2C side, Private Property is passionate about providing a seamless experience for renters, buyers, individual investors and private landlords.

Collectively, Private Property creates an environment where all participants will feel safe, informed and empowered.

Private Property has embarked on a strategy to enhance its business offering to both consumers and businesses via its website and mobile app to continuously increase not only its user’s experience, but also to provide increased value. This strategy has delivered enhanced growth in a number of key metrics including:

- enhanced customer awareness
- improved unique browsers
- improved quality of sales leads
- improved page views

OPERATIONAL OVERVIEW
(continued)

As a result of the restrictions and limits imposed by Government during the lockdown and required social distancing, Private Property successfully hosted on-line webinars to continue the momentum of engagement between all participants in the on-line experience. These were extremely successful indicating an enhanced alignment to the newly re-branded platform.

Private Property's strategy towards enhanced excellence is being well executed and will enable it to become the leading and premier property portal in South Africa.

Research and Analytics

The Group's research assets (BMi Research, BMi Sport and Livingfacts) were all, to varying degrees, impacted by COVID-19 and the general downturn of the economy pre-COVID.

Livingfacts has used the opportunity to re-focus its service offering by focusing mainly on B2B qualitative and quantitative research and on areas of their legacy expertise and knowledge set.

BMi Research has successfully restructured its business by reducing its head count and focussing on solutions that have been refined and refocused to the "new COVID-19 reality" incorporating on-line research and enhanced digitisation. This has placed BMi Research in a much better position to weather the downturn in the economy and has placed it on an excellent trajectory for an improved macro-economic situation.

New product offerings have been developed to provide brands who increasingly service customers via on-line solutions. CX Online was developed during the period under review and launches in the second half of the year. This product takes traditional mystery shopping a logical step further to effectively evaluate e-commerce on-line shopping platforms to enable brands to evaluate the consumer's experience on a particular e-commerce site. Additional services, such as to evaluate on-line activity, will be launched in the second half of the year.

BMi Sport focusses on pre-values for sponsorships, event tracking, sport tracking and sponsor tracking. These services have been severely impacted by the virtual shut down of professional sports and the lack of spectators at events, even where limited sporting events have been allowed.

The lack of insight from sporting codes and governing bodies, as to when various sports will resume, has severely impacted on businesses and brands being able to plan around engaging with these sporting codes and investing in sponsorships.

We believe that there is "pent-up demand" and once sporting events with spectator's resume, we anticipate a heightened request for the BMi Sport services as brands will, once again, want to have the visibility of being associated with these sporting codes and events.

Prospects

Trading conditions for the majority of the Group companies are expected to remain challenging for the foreseeable future, however, some assets are already showing improvements post the lockdown restrictions.

Our strategy is to continue to focus on extracting maximum efficiencies from each business to stabilise and then grow market share in their respective niche sectors.

We will continue to restructure and re-focus the existing assets within the Group. We are actively seeking acquisitive opportunities to support both the existing business assets and new opportunities in the interest of building shareholder wealth and maximising earnings growth.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Change Restated*	Unaudited as at 31 December 2020 R'000	Unaudited as at 31 December 2019 R'000 Restated*	Audited as at 30 June 2020 R'000
ASSETS				
Non-current assets	-16.2%	**161 502**	**192 778**	**165 947**
Property, plant and equipment	-6.7%	15 436	16 552	15 806
Right-of-use assets	-36.6%	7 333	11 564	10 176
Goodwill	-17.9%	101 580	123 680	101 580
Intangible assets	-5.7%	31 981	33 903	32 847
Investment in associates	-37.9%	2 669	4 299	2 528
Unlisted investment	-100.0%	-	250	-
Deferred tax asset	-1.1%	2 503	2 530	3 010
Current assets	16.7%	**147 694**	**126 545**	**128 199**
Inventory		-	85	-
Current tax receivable	49.3%	2 510	1 681	1 138
Trade and other receivables	-9.4%	50 573	55 795	41 357
Cash and cash equivalents	37.1%	94 611	68 984	85 704
Total assets	-3.2%	**309 196**	**319 323**	**294 146**
EQUITY AND LIABILITIES				
Capital and reserves	-4.5%	**245 254**	**256 726**	**234 122**
Stated Capital	0.0%	159 420	159 484	159 420
Retained income	-18.8%	76 426	94 125	69 703
Change in ownership	0.0%	(12 892)	(12 892)	(12 892)
Attributable to the equity holders of the parent	**-7.4%**	**222 954**	**240 717**	**216 231**
Non-Controlling interests	39.3%	22 300	16 009	17 891
Non-current liabilities	-33.9%	**13 386**	**20 238**	**15 187**
Lease liability	-34.5%	6 585	10 051	8 836
Cash Settled Share Based Payment	-17.6%	1 368	1 660	1 010
Deferred tax liability	-36.3%	5 433	8 527	5 341
Current liabilities	19.4%	**50 556**	**42 359**	**44 837**
Trade and other payables	15.8%	37 985	32 800	28 617
Provisions	-7.3%	1 908	2 059	2 062
Current tax payable	-73.1%	260	967	1 955
Unclaimed dividends	-11.1%	233	262	233
Third Party Prize money	84.1%	7 776	4 223	9 686
Lease Liability	16.9%	2 394	2 048	2 284
Total equity and liabilities		**309 196**	**319 323**	**294 146**
Net asset value per share (cents)		**97.24**	**104.95**	**94.31**
Net tangible asset value per share (cents)		**38.99**	**36.25**	**35.68**
Number of shares in issue		**229 273 021**	**229 363 021**	**229 273 021**

*Refer to disclosure note below (reclassification of prior period figures) for details regarding the restatement for measurement period adjustment.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Change Restated*	Unaudited six months ended 31 December 2020 R'000	*Unaudited six months ended 31 December 2019 R'000 Restated*	Audited year ended 30 June 2020 R'000
Revenue	-15.9%	122 610	145 739	263 165
Cost of Sales	-38.7%	(20 428)	(33 315)	(49 184)
Gross profit	**-9.1%**	**102 182**	**112 424**	**213 981**
Other operating income	-25.3%	600	803	653
Staff costs	-18.4%	(44 282)	(54 294)	(106 349)
Depreciation and amortisation expense	-14.8%	(6 422)	(7 539)	(14 901)
Other operating expenses	-5.6%	(37 188)	(39 376)	(80 898)
Impairment of goodwill		-	-	(22 100)
Impairment of investment		-	-	(1 661)
Finance costs	-15.6%	(545)	(646)	(1 357)
Income from equity accounted Investment	-17.1%	141	170	59
Investment income	-59.1%	1 278	3 124	5 288
Profit / (Loss) before tax	7.5%	**15 764**	**14 666**	**(7 285)**
Income tax expense	4.7%	(4 632)	(4 424)	(5 013)
Profit / (Loss) for the period	8.7%	**11 132**	**10 242**	**(12 298)**
Other comprehensive income				
Total comprehensive income /(loss) for the year	8.7%	**11 132**	**10 242**	**(12 298)**
Profit / (Loss) attributable to:				
Owners of the parent	11.1%	6 723	6 050	(18 372)
Non-controlling interest	5.2%	4 409	4 192	6 074
Weighted average number of shares in issue	-2.6%	**229 273 021**	**235 291 431**	**232 501 927**
Basic earnings / (loss) per share (cents)	14.0%	**2.93**	**2.57**	**(7.90)**
Headline earnings per share (cents)	15.4%	**2.93**	**2.54**	**2.33**
Diluted earnings / (loss) per share (cents)	14.0%	**2.93**	**2.57**	**(7.90)**
Diluted headline earnings per share (cents)	14.0%	**2.93**	**2.54**	**2.33**

*Refer to disclosure note below (Reclassification of prior period figures) for details regarding the restatement for measurement period adjustment.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Stated Capital R'000	Change in ownership R'000	Total Share Capital R'000	Retained Income R'000	Attributable to Equity Holders R'000	Non-Controlling Interest R'000	Total Equity R'000
Audited balance at 1 July 2019	**182 967**	**(12 892)**	**170 075**	**110 745**	**280 820**	**15 419**	**296 239**
Changes in equity							
Total comprehensive income for the period (Restated*)	-	-	-	6 050	6 050	4 192	10 242
Repurchase of shares	(23 483)	-	(23 483)	-	(23 483)	-	(23 483)
Dividends	-	-	-	(22 670)	(22 670)	(3 602)	(26 272)
Total changes	**(23 483)**	**-**	**(23 483)**	**(16 620)**	**(40 103)**	**590**	**(39 513)**
Unaudited balance at 1 January 2020	**159 484**	**(12 892)**	**146 592**	**94 125**	**240 717**	**16 009**	**256 726**
Changes in equity							
Total comprehensive income for the period	-	-	-	(24 422)	(24 422)	1 882	(22 540)
Repurchase of shares	(64)	-	(64)	-	(64)	-	(64)
Total changes	**(64)**	**-**	**(64)**	**(24 422)**	**(24 486)**	**1 882**	**(22 604)**
Audited balance at 1 July 2020	**159 420**	**(12 892)**	**146 528**	**69 703**	**216 231**	**17 891**	**234 122**
Changes in equity							
Total comprehensive income for the period	-	-	-	6 723	6 723	4409	11 132
Total changes	**-**	**-**	**-**	**6 723**	**6 723**	**4 409**	**11 132**
Unaudited balance at 31 December 2020	**159 420**	**(12 892)**	**146 528**	**76 426**	**222 954**	**22 300**	**245 254**

*Refer to disclosure below for details regarding the restatement for measurement period adjustment.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000 Restated*	Audited year ended 30- June 2020 R'000
Cash flow from operating activities	**13 393**	**(2 312)**	**19 348**
Net cash generated from operations	19 760	273	23 290
Finance costs	(545)	(646)	(1 357)
Investment income	1 278	3 124	5 288
Normal tax paid	(7 100)	(5 063)	(7 873)
Cash flow from investing activities	**(4 029)**	**(1 588)**	**(5 457)**
Purchase of property, plant and equipment	(532)	(515)	(997)
Proceeds on disposal of property, plant and equipment	19	-	59
Purchase of intangible asset	(3 516)	(1 014)	(4 710)
Purchase of unlisted investment	-	(250)	-
Dividend from associate	-	191	191
Cash flow from financing activities	**(457)**	**(50 555)**	**(51 626)**
Lease liability capital portion paid	(457)	(852)	(1 830)
Repurchase of shares	-	(23 483)	(23 547)
Dividends paid	-	(26 220)	(26 249)
Net increase / (decrease) in cash and cash equivalents	**8 907**	**(54 455)**	**(37 735)**
Cash and cash equivalents at beginning of the period	85 704	123 439	123 439
Cash and cash equivalents at end of the period	**94 611**	**68 984**	**85 704**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

BASIS OF PREPARATION

The unaudited condensed consolidated interim results for the six months ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the requirements of the JSE Limited Listings Requirements for interim reports, the requirements of the Companies Act applicable to condensed financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and contain information required by IAS 34 - Interim Financial Reporting. The accounting policies applied in preparation of these condensed consolidated interim results are consistent with those applied in the previous annual financial statements.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

These financial statements have been compiled under the supervision of the Financial Director, Pieter Scholtz.

The unaudited condensed consolidated interim results for the six months ended 31 December 2020 have not been reviewed by the Group's auditor.

REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from offering multiple services to customers.

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services. All invoices are due and payable within payment on presentation of invoice up to 60 days except for a single multinational that has arranged longer payment terms. Therefore, the Group has elected to apply the practical expedient as there are no significant financing components.

Revenue is derived from fees charged to customers for the following service offerings:

- Online Platform Services
- Research Services
- Communication Service Revenue
- Campaign service development
- Supplementary Services

The Group does not encounter any revenue reversal due to returns, refunds, rebates and other similar obligations. An analysis of the Group's revenue streams are as follows:

Revenue stream	Performance obligation	Timing measurement	Judgement
Online Platform Services	The Group has various platforms that are used by its clients to enhance and promote their service to a large consumer base.	Access to the online platform is based on a monthly fee that is recognised by the Group over time on a straight line basis. Platform services are invoiced on a prepaid basis or within the month that the service is rendered. Transaction-based services that are offered on the online platform are recognised when the transaction takes place at a point in time and invoiced when the service is rendered or within the month that the service is rendered.	Platform service delivery is largely automated as is the related billing. Judgement is therefore not involved to estimate the amount or timing of the revenue recognised.
Research Services	Qualitative and quantitative research services.	Continued data collection, collation and research analytics into monthly reports are recognised over time on a straight line basis and invoiced in the month that the service is rendered. Where a research project spans more than one month, revenue is recognised upon achievement of the benchmarks set within the project. Depending on the agreement a percentage of the invoicing takes place upon commissioning of the project and the remaining balance as the benchmarks are achieved. All invoicing that has not been recognised as yet is recognised and disclosed as amounts received in advance within trade and other payables.	No judgement involved with regards to the timing and amount of ongoing data collection, collation and research analytics services. Management applies judgement to estimate benchmarks as follows: Work completed over estimated work required to complete the service The cost incurred at a period end over the total estimated cost to complete the service. This is applied on an individual project basis.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(continued)

Revenue stream	Performance obligation	Timing measurement	Judgement
Communication Service Revenue	Provision of communication services such as SMS, USSD, IVR, WhatsApp, App push and Fax services to users.	Revenue is recognised at a point in time when the transaction takes place. Invoicing takes place within the same month as the service was rendered.	No judgement is involved with regards to the timing and amount as these services are automated.
Campaign service development	This represents fees for setting up and managing digital services used for business and marketing purposes.	The setup of a service is recognised at the point in time when the service is provisioned and is invoiced within the same month. Revenue related to the management of services is invoiced within the month that the recognition takes place and is recognised by the Group over time.	Management applies judgement to determine if the service is setup and provisioned. No judgement involved with regards to the timing and amount of management fees.
Supplementary Services	Other revenue earned by the group on services that are supplementary to the services above.	Other revenue relates to the sale of supplementary services that are recognised at a point in time.	No judgement involved relating to the timing and amount of supplementary services.

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000	Audited year ended 30-Jun 2020 R'000
Revenue from contracts with customers			
Rendering of services	**224 232**	**254 061**	**429 762**
Less: Agency revenue	(101 622)	(108 322)	(166 597)
	122 610	**145 739**	**263 165**
Disaggregation of revenue from contracts with customers			
The group disaggregates revenue from customers as follows:			
Rendering of service			
Africa revenue	242	4 272	5 713
South African revenue	122 368	141 467	257 452
	122 610	**145 739**	**263 165**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

(continued)

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000	Audited year ended 30-Jun 2020 R'000
Timing of revenue recognition			
Over time			
Online Platform Services	67 483	79 834	149 344
Research Services	18 490	22 947	45 750
Campaign services	6 677	3 719	6 830
	92 650	106 500	201 924
At a point in time			
Online Platform Services	14 307	10 286	15 533
Communication Services	7 128	17 575	17 651
Campaign services	7 755	9 566	23 772
Supplementary Services	770	1 812	4 285
	29 960	39 239	61 241
Total revenue from contracts with customers	122 610	145 739	263 165

The Group offers services that is classified as agency revenue in terms of IFRS 15 and as such the Group discloses these services separately above. The disclosure relating to the timing and disaggregation of the previous interim reporting period was amended to be in line with the current period. All revenue was disclosed as services at a point in time in the interim report. Online platform services, research services and certain supplementary services are accounted for in the Knowledge Management segment with the remaining revenue accounted for in the Active Data Exchange Services segment.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

CASH GENERATED FROM OPERATIONS

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000 Restated*	Audited year ended 30-Jun 2020 R'000
A RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS			
Profit before taxation	**15 764**	**14 666**	**(7 285)**
Adjustments for:	**5 752**	**5 422**	**34 588**
Depreciation and Amortisation	6 422	7 539	14 901
Change in provisions	(154)	75	78
(Profit) / Loss on disposal of property, plant and equipment	-	(87)	(54)
Finance cost	545	646	1 357
Income from associates	(141)	(170)	(59)
Impairment loss	-	-	23 761
Cash-settled share-based payment	358	543	(108)
Investment income	(1 278)	(3 124)	(5 288)
Operating profit before working capital changes			
Working capital changes	**(1 756)**	**(19 815)**	**(4 013)**
Decrease in inventory	-	(85)	-
(Increase) /Decrease in trade and other receivables	(9 216)	(5 178)	9 259
(Decrease) in Third Party Prize Money	(1 908)	(8 612)	(3 150)
Increase / (Decrease) in trade and other payables	9 368	(5 940)	(10 122)
Cash generated from operations	**19 760**	**273**	**23 290**

*Refer to disclosure below for details regarding the restatement for measurement period adjustment.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (continued)

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers (the "CODM"). 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**

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000	Audited year ended 30-Jun 2020 R'000
Gross Revenue			
Active Data Exchange Services	24 756	32 512	53 788
Knowledge Creation and Management	199 476	221 549	375 974
	224 232	254 061	429 762
Revenue Generated as agency service			
Active Data Exchange Services	(3 197)	(1 651)	(2 500)
Knowledge Creation and Management	(98 425)	(106 671)	(164 097)
	(101 622)	(108 322)	(166 597)
Revenue			
Active Data Exchange Services	21 559	30 861	51 288
Knowledge Creation and Management	101 051	114 878	211 877
	122 610	145 739	263 165
Cost of sales			
Active Data Exchange Services	(6 977)	(9 940)	(18 968)
Knowledge Creation and Management	(13 451)	(23 375)	(30 216)
	(20 428)	(33 315)	(49 184)
Gross profit			
Active Data Exchange Services	14 582	20 921	32 320
Knowledge Creation and Management	87 600	91 503	181 661
	102 182	112 424	213 981

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"). During the period, 0.2% (2019: 2.93%) of the Company'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 reconciliation of 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.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (continued)

Reconciliation between earnings and headline earnings

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000 Restated*	Audited year ended 30-Jun 2020 R'000
The calculation of earnings / (loss) per share is based on profits of R6.7 million attributable to equity holders of the parent (six month ended December 2019: R6.0 million; year ended 30 June 2020 a loss of R18.4 million) and a weighted average of 229 273 021 (six month ended December 2019: 235 291 431; year ended 30 June 2020: 232 501 927) ordinary shares in issue during the period.	2.93 Cents	2.57 Cents	-7.90 Cents
The calculation of headline earnings per share is based on profits of R6.7 million attributable to equity holders of the parent (six month ended December 2019: R6 million; year ended 30 June 2020: R14.9 million 2019: R5.9 million) and a weighted average of 229 273 021 (six month ended December 2019: 235 291 431; year ended 30 June 2020: 232 501 927) ordinary shares in issue during the period.	2.93 Cents	2.54 Cents	2.33 Cents
Reconciliation between earnings and headline earnings			
Profit/ (loss) attributable to ordinary shareholders of parent	6 723	6 050	(18 372)
After Tax effect on profit on disposal of property, plant and equipment:	-	(63)	39
Impairment of goodwill			22 100
Impairment of investment in associate	-	-	1 661
Headline earnings	6 723	5 987	5 428
The calculation of diluted earnings / (loss) per share is based on profits of R6.9 million attributable to equity holders of the parent (six month ended December 2019: R6.0 million; year ended 30 June 2020 a loss of R18.4 million) and a weighted average of 229 273 021 ((six month ended December 2019: 235 291 431; year ended 30 June 2020: 232 501 927ordinary shares in issue during the period.	2.93 Cents	2.57 Cents	-7.90 Cents
The calculation of diluted headline earnings per share is based on profits of R6.7 million attributable to equity holders of the parent (six month ended December 2019: R5.9 million; year ended 30 June 2020: R14.9 million 2019: R6 million) and a weighted average of 229 273 021 (six month ended December 2019: 235 291 431; year ended 30 June 2020: 232 501 927) ordinary shares in issue during the period.	2.93 Cents	2.54 Cents	2.33 Cents
There were no instruments in issue or issued during the interim period that have a dilutive impact.			

*Refer to disclosure below for details regarding the restatement for measurement period adjustment.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (continued)

TAXATION

	Unaudited six months ended 31-Dec 2020 R'000	Unaudited six months ended 31-Dec 2019 R'000 Restated*	Audited year ended 30-Jun 2020 R'000
Local income tax - Current period	5 231	4 330	9 267
Local income tax - recognised in current year for prior periods	-	-	(261)
Deferred tax movement	(599)	94	(3 993)
	4 632	**4 424**	**5 013**
Reconciliation between applicable tax rate and average effective tax rate.			
Accounting profit	15 764	14 666	(7 285)
Tax at applicable rate (28%)	4 414	4 107	(2 040)
Non-deductible expenses - Not in the production of income	359	487	680
Local income tax - recognised in current tax for prior periods	-	-	(261)
Impairment of investment	-	-	505
Impairment of goodwill	-	-	6 188
Non-taxable income			
Income from associates	(141)	(170)	(59)
	4 632	**4 424**	**5 013**

*Refer to disclosure below for details regarding the restatement for measurement period adjustment.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (continued)

RECLASSIFICATION OF PRIOR YEAR FIGURES

On 1 February 2019, the Group acquired 50.01% of Private Property South Africa Proprietary Limited ("PPSA"). 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 December 2019. The valuation of these assets, namely the Private Property Brand, Customer Relationship and Internally Generated Software, has subsequently been finalised.

Further to the acquisition adjustments, subsequent adjustment for the period 1 July 2019 to 31 December 2019 was made that relates to the amortisation of the intangible assets created with the acquisition adjustment. During the same period the portion of the dividend paid by a subsidiary to non-controlling shareholders was disclosed as a reduction in retained earnings and subsequently adjusted to be disclosed as a reduction in non-controlling interest.

Statement of Financial Position

	As previously reported	Acquisition adjustment	Subsequent measurement adjustment	Reallocation of dividend paid by subsidiary	As stated
Goodwill	143 098	(19 418)	-	-	123 680
Intangible assets	12 006	24 594	(2 697)	-	33 903
Retained income	94 175	(1 711)	(1 941)	3 602	94 125
Deferred tax liability	976	7 551	-	-	8 527
Deferred tax asset	1 111	664	755	-	2 530
Non-Controlling interest	19 611	-	-	(3 602)	16 009

Statement of Profit or Loss and Other Comprehensive Income

	As previously reported	Acquisition adjustment	Subsequent measurement adjustment	Reallocation of dividend paid by subsidiary	As stated
Depreciation and Amortisation expense	(4 842)	-	(2 697)	-	(7 539)
Taxation	(5 179)	-	755	-	(4 424)
Total Comprehensive income for the period	12 184	-	(1 942)	-	10 242
Profit attributed to the owners of the parent	7 992	-	(1 942)	-	6 050
EPS	3.40 Cents	-	-0.83 Cents	-	2.57 Cents
HEPS	3.37 Cents	-	-0.83 Cents	-	2.54 Cents

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020 (continued)

DIVIDEND POLICY

Given the current uncertain market conditions the Group wishes to preserve its cash resources and the Board has therefore resolved not to declare an interim dividend.

DIRECTORATE

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

GOING CONCERN

In determining the going concern of the Group, the Board carefully considered the impact that COVID-19 and related lockdown regulations will have on each company within the Group. At the time of this report COVID-19 lockdown regulations have been reduced to level 1. All the operating companies in the Group have sufficient working capital and the Group is in a healthy financial position with very 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.

JUDGEMENTS AND ASSUMPTIONS

The effect of the current economic conditions as a result of Covid-19 was taken into consideration in the goodwill impairment tests done on the BMi Sport Group and on BMi Research. No impairment indicators were identified for any other assets in the Group.

BMi Sport Group

BMi Sport Group's goodwill is tested for impairment 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 and terminal growth rate of 1.45% (June 2020: 1.21%) and a discount rate of 19.5% (June 2020:19.5%). The result is that the goodwill as reported of R1 032 975 does not need to be impaired at this stage even if the discount rate increases by 1% as there is adequate headroom.

BMi Research

BMi Research's goodwill is tested for impairment 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 and terminal growth rate of 5% (June 2020: 5%) and a discount rate of 22% (June 2020: 22%). The result is that the goodwill reported of R5 189 731 does not need to be impaired at this stage, however should the discount rate increase by 1% then an impairment of R127 217 would be required.

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 would like to 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

11 March 2021

COGNITION
HOLDINGS LTD