

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")

**ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2017, DIVIDEND DECLARATION
 AND NOTICE OF AGM**

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rands	Change	Audited as at 30 June 2017	Audited as at 30 June 2016
Assets			
Non-Current Assets			
Property, plant and equipment	-4.13%	17 290 611	18 035 465
Goodwill	0.00%	30 331 527	30 331 527
Intangible assets	18.52%	17 471 718	14 740 982
Investment in associates	-2.10%	4 131 943	4 220 733
Deferred tax asset	29.76%	1 090 381	840 329
Unlisted investment		1 660 000	-
	5.58%	71 976 180	68 169 036
Current Assets			
Inventories	-91.42%	25 730	299 862
Trade and other receivables	21.11%	49 049 219	40 500 311
Current tax receivable		194 628	-
Cash and cash equivalents	2.21%	81 279 090	79 521 643
	8.50%	130 548 667	120 321 816
Total Assets	7.45%	202 524 847	188 490 852
Equity and Liabilities			
Equity			
Share capital	0.30%	56 110 451	55 943 920
Change in ownership		(12 892 945)	(6 135 464)
Retained income	7.99%	102 774 161	95 171 136
	0.70%	145 991 667	144 979 592
Non-controlling interest		857 519	1 929 129
	-0.04%	146 849 186	146 908 721
Liabilities			
Non-Current Liabilities			
Other financial liabilities	-33.08%	4 699 232	7 022 630

Interest bearing liabilities	-79.37%	373 974	1 812 530
Deferred tax liability	-19.46%	2 766 200	3 434 554
	-36.11%	7 839 406	12 269 714
Current Liabilities			
Current tax payable	846.93%	1 459 964	154 178
Interest bearing liabilities	-45.82%	1 438 673	2 655 183
Trade and other payables	35.17%	32 923 702	24 356 488
Other financial liabilities		5 932 602	
Provisions	196.08%	5 912 245	1 996 872
Unclaimed dividends	12.94%	169 069	149 696
	63.19%	47 836 255	29 312 417
Total Liabilities	33.89%	55 675 661	41 582 131
Total Equity and Liabilities	7.45%	202 524 847	188 490 852
Net asset value per share (cents)	0.63%	106.09	105.42
Net tangible asset value per share (cents)	-1.78%	71.35	72.76
Shares in issue		137 615 798	137 527 659

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Rands	Change	Audited for the year ended 30 June 2017	Audited for the year ended 30 June 2016
Gross revenue	60.8%	279 699 557	173 892 818
Less: Agency Revenue	232.4%	(129 193 104)	(38 865 354)
Revenue	11.5%	150 506 453	135 027 464
Cost of services	-5.3%	(50 711 879)	(53 573 988)
Gross profit	22.5%	99 794 574	81 453 476
Other income	-78.5%	479 231	2 228 428
Operating expenses	8.7%	(19 041 271)	(16 524 151)
Staff costs	22.6%	(52 167 926)	(43 154 405)
Depreciation and amortisation expense	14.9%	(6 982 720)	(6 485 545)
Operating profit (loss)	26.1%	22 081 888	17 517 803
Investment income	8.9%	5 617 407	5 158 033
Income from equity accounted investments	-38.5%	388 050	631 405
Finance costs	-13.5%	(447 978)	(517 897)

Profit before taxation	21.3%	27 639 367	22 789 344
Taxation		(8 114 438)	(4 207 383)
Total comprehensive income for the year	5.1%	19 524 929	18 581 961
Profit for the year attributable to:			
Owners of the parent	2.1%	18 612 289	18 226 680
Non-controlling interest		912 640	355 281
	5.1%	19 524 929	18 581 961
Basic earnings per share (cents)	2.1%	13.52	13.25
Diluted earnings per share (cents)	2.1%	13.52	13.25
Headline earnings per share (cents)	2.5%	13.52	13.25
Weighted average number of shares in issue		137 615 798	137 565 088
Fully diluted shares in issue		137 615 798	137 615 798

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in Rands	Share Capital	Share Premium	Total Share	Equity change in ownership	Retained income	Total Equity attributable to holders of the parent	Non-controlling interest	Total Equity
Balance at 1 July 2015	137 616	55 972 835	56 110 451		94 200 852	150 311 303	1 466 421	151 777
Total comprehensive Income for the year	-	-	-	-	18 226 680	18 226 680	355 281	18 581
Purchase of own / treasury shares	(88)	(166 443)	(166 531)	-	-	(166 531)	-	(166 531)
Non-controlling interest as a result of an acquisition	-	-	-	-	-	-	4 584 089	4 584
Non-controlling interest as a result of purchase price allocation	-	-	-	-	-	-	407 051	407
Dividends	-	-	-	-	(17 256 396)	(17 256 396)	-	(17 256 396)
Change in ownership interest in subsidiary	-	-	-	(6 135 464)	-	(6 135 464)	(4 883 713)	(11 019)
Total changes	(88)	(166 443)	(166 531)	(6 135 464)	970 284	(5 331 711)	462 708	(4 869 131)
Balance at 1 July 2016	137 528	55 806 392	55 943 920	(6 135 464)	95 171 136	144 979 592	1 929 129	146 908
Total comprehensive income for the year	-	-	-	-	18 612 289	18 612 289	912 640	19 524
Sale of own / treasury shares	88	166 443	166 531	-	-	166 531	-	166
Change in ownership interest in subsidiary	-	-	-	(6 757 481)	-	(6 757 481)	(1 791 750)	(8 549)

Dividends	-	-	-	-	(11 009 264)	(11 009 264)	(192 500)	(11 201)
Total changes	88	166 443	166 531	(6 757 481)	7 603 025	1 012 075	(1 071 610)	(59)
Balance at 30 June 2017	137 616	55 972 835	56 110 451	(12 892 945)	102 774 161	145 991 667	857 519	146 849

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Rands	Change	Audited for the year ended 30 June 2017	Audited for the year ended 30 June 2016
Cash flows from operating activities			
Cash generated from operations		29 617 871	22 704 965
Interest income		5 617 407	5 158 033
Finance costs		(447 978)	(260 455)
Tax paid		(7 921 685)	(6 495 502)
Net cash from operating activities	27.28%	26 865 615	21 107 041
Cash flows from investing activities			
Purchase of property, plant and equipment		(2 324 550)	(3 659 355)
Proceeds on disposal of property, plant and equipment		161 141	527
Purchase of intangible assets		(2 201 527)	(733 548)
Expenditure on product development		(4 596 760)	(3 897 297)
Sale of other intangible asset		4 201	-
Acquisition of subsidiary		-	898 839
Acquisition of additional interest in subsidiary		(1 701 230)	(11 019 176)
Purchase of unlisted investment		(1 660 000)	-
Purchase of investment in associate		-	(880 021)
Net cash from investing activities	-36.14%	(12 318 725)	(19 290 031)
Cash flows from financing activities			
Proceeds on share issue		166 531	-
Reduction of share capital on buy back of shares		-	(166 531)
Proceeds from other financial liabilities		404 483	-
Repayment of interest bearing liabilities		(2 655 066)	(21 985)
Dividends received from associates		477 000	-
Dividends paid		(11 182 391)	(17 245 632)
Net cash from financing activities	-26.64%	(12 789 443)	(17 434 148)
Total cash and cash equivalents movement for the year		1 757 447	(15 617 138)
Cash and cash equivalents at the beginning of the year		79 521 643	95 138 781

Total cash and cash equivalents at end of the year	2.21%	81 279 090	79 521 643
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NOTES TO THE ABRIDGED CONSOLIDATED AUDITED FINANCIAL RESULTS

1. BASIS OF PREPARATION

The Group annual financial statements from which these consolidated audited financial statements were derived have been prepared on the historical cost basis excluding financial instruments which are accounted for in terms of IAS39 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 abridged consolidated audited 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 2016. These abridged consolidated audited 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 (“JSE”).

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

Audit Report

The auditor, Grant Thornton Johannesburg Partnership, has issued its unmodified opinion on the Group’s annual financial statements for the year ended 30 June 2017. The audit was conducted in accordance with International Standards on Auditing. A copy of the auditor’s report together with a copy of the audited financial statements are available for inspection at the Company’s registered office. These abridged financial statements have been derived from the Group’s annual financial statements and are consistent in all material respects with the Group’s annual financial statements. The contents of this announcement are extracted from audited information, although the announcement is not itself audited. 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.

2. RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

Figures in Rand	Audited year ended 30 June 2017	Audited year ended 30 June 2016
The calculation of earnings per share is based on profits of R18 612 289 attributable to equity holders of the parent (2016: R18 226 680) and a weighted average of 137 615 798 (2016: 137 565 088) ordinary shares in issue during the year	13.52 cents	13.25 cents
The calculation of headline earnings per share is based on profits of R18 604 293 attributable to equity holders of the parent (2016: R18 226 301) and a weighted average of 137 615 798 (2016: 137 565 088) ordinary shares in issue during the year	13.52 cents	13.25 cents
<i>Reconciliation between earnings and headline earnings</i>		
Profit attributable to ordinary shareholders of parent	18 612 289	18 226 680

Profit on disposal of property, plant and equipment:	(11 106)	(527)
Tax effect of the disposal of property, plant and equipment	3 110	148
Headline earnings	18 604 293	18 226 301
The calculation of diluted earnings per share is based on profits of R18 612 289 (2016: R18 223 974) and a weighted average of 137 615 798 (2016: 137 615 798) ordinary shares issued during the year	13.52 cents	13.25 cents
Reconciliation between earnings and diluted earnings per share:		
Weighted average number of shares used in the calculation of earnings per share	137 615 798	137 565 088

3. SEGMENTAL REPORTING

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. These chief operating decision-makers (“the CODM”) have been identified as the executive committee members who make strategic decisions. The CODM have organised the operations of the company based on its brands and this has resulted in the creation of the following 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. Using technology to establish a “new asset class” by collecting data, adding content and meaning in order to create information and provide insights, inferences and experiences so as to culminate in knowledge.

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”). In the year under review, 4.20% (2016: 4.78%) of its revenue can be attributed to Africa Sales. The Company allocates revenue to each country based on the relevant domicile of the client. All of the Company’s assets are located in South Africa.

Active Data Exchange Services currently generate 44.15% (2016: 54.92%) of its revenue through three large network service providers. Both segments share the use of the Group’s assets and liabilities, as well as work within the same operating environment, and therefore the Group is not in a position to report on the assets and liabilities, nor analyse the operating expenditure, separately.

Figures in Rands	Audited for the year ended 30 June 2017	Audited for the year ended 30 June 2016
Gross Revenue		
Active Data Exchange Services	122 714 679	75 310 430
Knowledge Creation and Management	156 984 878	98 582 388
	279 699 557	173 892 818
Less: Agency Revenue		
Active Data Exchange Services	(55 489 089)	(9 948 492)
Knowledge Creation and Management	(73 704 016)	(28 916 862)

	(129 193 105)	(38 865 354)
Revenue		
Active Data Exchange Services	67 225 590	65 361 938
Knowledge Creation and Management	83 280 862	69 665 526
	150 506 452	135 027 464
Cost of sales		
Active Data Exchange Services	(23 379 907)	(28 213 869)
Knowledge Creation and Management	(27 331 971)	(25 360 119)
	(50 711 878)	(53 573 988)
Gross Profit		
Active Data Exchange Services	43 845 683	37 148 069
Knowledge Creation and Management	55 948 891	44 305 407
	99 794 574	81 453 476

4. PURCHASE OF ADDITIONAL 37% OF BMI SPORT GROUP

The Group purchased the remaining shares in BMi Sport Group on 1 February 2017 for a consideration of R8 549 232. This transaction was accounted for as an additional acquisition in terms of IFRS 10. The consideration paid over the fair value of the assets has been recognised in equity. The equity due to change in ownership amounted to R6 757 481

COMMENTARY

The board of directors of Cognition (“the Board”) are proud to announce their results for the year ended 30 June 2017.

NATURE OF THE BUSINESS

The Group’s products and services are all orientated around customer-centricity and assisting our clients, who are typically large corporations, to achieve a paradigm shift by forming long-term partnerships with their customers so as to achieve enhanced benefits for both parties.

FINANCIAL PERFORMANCE

The 2017 financial year showed a significant growth of 60.8% in the Group’s Gross Revenue. Gross Revenue includes revenue earned by the Group for facilitating agency based payment services and amounted to R129,2 million (2016: R38,8 million).

Group Revenue increased to R150,5 million (2016: R135 million), representing an 11.4% increase. This growth was achieved purely organically as the Group did not make any new acquisitions during the financial period.

The segment report, as contained in the integrated annual report, reflects revenue from Active Data Exchange Services increasing by 2.7%, however, Gross Profit increased by 18%. This improvement is despite a decline in the Fax2Email service of 38% when compared to the previous year. Knowledge Creation and Management revenue increased by 19.5% with Gross Profit increasing by 32.2%. This growth can be attributed to a strong performance by the Research assets in the Group, as well as the significant inroads made in Channel Incentive Programmes.

Gross Profit for the Group was up 22.5% to R99,8 million (2016: R81,4 million). Earnings before interest, tax, depreciation and amortisation (“EBITDA”) was up 23.4% to R29 million (2016: R23,5 million).

Operating Expenditure for the Group increased by 15,2% from R16,5 million last year to R19 million this year. Staff costs increased from R43,1 million to R52,1 million, a 20.9% increase. The initiatives undertaken by the Group to reduce expenditure will only reflect in the 2018 financial year. The general demand for quality programmers and developers makes cost containment in this aspect of the Group, very challenging.

In the previous financial year, the Group had an effective tax rate of 18.5% compared to this year’s effective rate of 29.3%. This is due to the utilisation of assessed losses in some of the companies in the previous year. The impact of this is that even though Net Profit Before Tax increased by 21.3% for the Group, the Net Profit After Tax growth is only 5.1% at R19,5 million.

Based on the weighted average number of shares in issue, earnings per share grew by 2.1% to 13.52 cents from 13.25 cents in the previous corresponding period.

Statement of Financial Position

Given the current economic climate, the Group considers it prudent to retain cash reserves whilst still making the necessary internal investments and maintaining a good dividend flow to shareholders.

The Group acquired the remaining 37% shareholding in the BMi Sport Group and furthermore invested in internal projects to the value of R6,7 million (2016: R3,8 million) as well as making a R2,3 million investment in assets (2016: R3,4million). The net asset value of the Group remained stable, despite distributing a significant dividend to shareholders, amounting to R11,2 million, during the year under review. The net result is that the Total Equity of the Group remained stable at R146,9 million.

Cash movements

Net cash generated from operations increased by 31.7% from R22,7 million to R29,6 million. This reflects the cash generative nature of the Group’s business.

Equity movements

During the year under review, the Group engaged in a share buyback campaign and used the shares it acquired to settle a portion of the purchase price of BMi Sport purchase of minority shareholding.

As at 30 June 2017, the Company did not hold any treasury shares.

Going Concern

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

Conclusion

The Group focused its efforts over the past year in two main areas, primarily to grow the current operational revenue base of the Group and to offset the reduction in revenue from Fax2Email services. It further focused on creating new products that are ahead of the latest technological developments with business models that the Group believes will be able to grow into very successful business ventures within the next few years.

OPERATIONAL PERFORMANCE

Group Profile

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

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

Cognition operates via two distinct strategic objectives, being:

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

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

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

Cognition has recognised the growing international trend of consumers realising:

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

Operational Performance

The results for the year were pleasing and showed an improvement on last year, despite the ongoing difficult trading conditions in South Africa.

The Group achieved a total comprehensive income for the year of R19.3 million. This was 7% up on the previous year (R18.6 million) and was achieved despite a further expected decline in faxing revenue.

Net cash and cash equivalents amounted to R81.2 million after the Company had made the final top-up payment for the purchase of 100% of BMi Research, purchased the remaining 37% of BMi Sport, and made as well as the payment of a dividend of 8 cents per share to shareholders.

The Group and all its operating divisions can now be described as a multi-disciplinary data collection, communication and research company that provides a broad range of services to FMCG companies, media and digital companies.

Via the Company's multi-disciplinary capacity of collecting data and rewarding consumers or businesses for interacting with its clients' brands, Cognition also offers Business Intelligence ("BI") tools and measurable insights via dashboards and bespoke reports.

As a result of our transition, our services can be segmented into the following three broadly defined strategic areas:

Consulting: Understanding the clients' needs, objectives and desired outcomes, to provide technical and professional services and advice.

Data Collection: Gathering and measuring information in an established, systematic process, whilst understanding information is a means to an end and not an end in itself.

Data Analytics: Examining data sets in order to draw conclusions about the information they contain with the aid of proprietary systems and software processes, thus providing clients with a greater understanding.

These three primary strategic drivers are commercialised into the market via: **Active Data Exchange Services** and **Knowledge Creation and Management**, which in turn have five channels to market.

ACTIVE DATA EXCHANGE SERVICES

These services are communication tools which include SMS, IVR, IM, USSD and email services, to mention a few. They have been developed since our inception and are referred to as our "traditional services".

The term “Call-2-Action” is used, as it is a means of getting the consumer to respond to promotions, competitions or voting services, using one of the services we host on behalf of our broad range of clients.

All our Call-2-Action services are offered not only in South Africa, but throughout the continent as represented in the “Group Footprint”.

Our Call-2-Action offering has three distinct approaches:

Media/Infotainment:

Services such as SMS, USSD and IVR are deployed for well-known campaigns like: The Voice South Africa, Big Brother Africa, Strictly Come Dancing SA, SA’s Got Talent and SAMA Awards. This provides a gateway for the producers to stimulate votes, obtain entries to competitions or other promotional activities. Despite huge amounts of data being collected, the data is limited in depth and typically used for observational and statistical purposes only. We regard these services as “**low data engagement**”.

Retail Promotions:

We engage with clients (typically FMCG brands) with the purpose of using services, such as SMS, IVR, USSD, MMS and email to promote brand awareness and to collect defined data with a view to building communities, analyse data, create insights and establish a platform for further communications. During the year under review we managed well over one hundred of these service types. We regard these services as “**medium data engagement**”.

Data Investment

Clients are consulted with the objective of collecting specific consumer data with a view to build data eco systems. Whilst the underlying “Call-2-Action” may, nonetheless, be a competition or promotion, the client’s intention is to obtain “opted in/consensual” data for continued promotions and interactions.

We have provided Call-2-Action services to over 100 brands in the last year, some of which are: Defy, Nivea, Pep Stores, Lucky Star, Bokomo, Afrisam, Discovery, Robertsons Wines, DStv Africa, Pioneer Foods and ABInBev.

Data investment services are provided to all 14 ABInBev brands, including the Carling Cup, Castle Lite, Castle Lager, Redds and Hansa. Our Call-2-Action platform managed a record-breaking promotion for ABInBev being the June “Beer Bonanza”, which received 30 million unique entries and paid out R56 million worth of pin-less airtime to consumers. This reflects the capacity and agility of our platform. We regard these services as “**high data engagement**”.

DOCUMENT EXCHANGE

This incorporates Fax2Email and Email2Fax which has had a 12-year lifespan of solid annuity income. In line with our predictions and previous reports to shareholders, Fax2Email continues to decline in South Africa as less fax machines are commercially deployed. The active database is around 100,000 users which reflects a reduction in average rate per user (“ARPU”) as the current trend. Whilst we still receive a handsome monthly income from this automated process, revenue is declining. Email2Fax (which allows a user to send a document from a PC to a fax machine) showed a 3% growth year-on-year, but off a low base.

As previously reported, the Group has now fully developed a new generation document exchange platform, branded as SecurDox. This platform uses a private Blockchain to provide an irrefutable certificate of transfer and receipt in the ledger.

This solution (unlike Fax2Email) is a prepaid solution offering users three options each with different levels of security.

After a “soft launch” in early 2017 with a small user base of 1,000, we added additional features. The “hard launch” took place post the end of the financial year, in July 2017. The target market for SecurDox is: legal, financial, medical, brokers, bankers, SMMEs and individuals.

Our view is that SecurDox will increase in momentum when the Protection of Personal Information Act (POPIA) becomes a reality as this is a perfect solution for the secure transfer of sensitive documents containing personal information.

CHANNEL INCENTIVE AND LOYALTY

This is one of the new developments in the Group which has shown very positive potential and opens up a new channel to create previously untapped revenue.

This division provides a platform and turnkey solution to reward employees, agents, business owners or customers when purchasing their specified brands.

The platform incorporates web, mobile App interfaces, moderation platforms to verify claims and the interface to a wallet which enables users to transfer the incentive rewards that they have earned into a debit card. Our Channel Incentive platform interfaces to a sponsor bank and switch.

The turnkey solution provides a step-by-step consulting platform integration, moderation and management.

The solution incorporates: the business rules, including tax advice, staff training, artwork for the debit card, FICA compliance, fulfilment of cards, moderation of claims, payment into wallets, analytics, dashboard and insights.

We have successfully deployed the solution with our first client, being Huawei, and have deployed over 8,000 cards. In the year under review we have processed over R65 million in incentive claims.

We have also, in the year under review, signed up our second client, a well-known household white appliance national brand which was rolled-out in June 2017.

We anticipate deploying over 9,000 cards to this base with the bulk of revenue to be generated in the 2018 financial year.

Due to the success of the solution with these two brands, we will be employing dedicated sales executives to promote the solution and will be gearing up our technical capabilities to service more clients. We are confident that this new venture into the Channel Incentive and Loyalty market will provide the Group with exciting new prospects.

mibubble

Data collection around personally identifiable consumer data ("Pii") has been referred to, by the World Economic Forum, as an "**emerging asset class**", as valuable as other assets such as traded goods.

Pii is collected or derived from **volunteered data** like social media, **observed data** as a result of transactions between individuals and organisations and lastly **inferred data** or data from data analytics.

There are three primary issues around collecting Pii:

Ownership Organisations believe they own the consumers' data and conversely consumers believe that as they have generated the data, they enjoy ownership. There is also "push back" from consumers who argue that intermediaries like Google and Facebook make huge profits from consumers' data. Consumers believe they should enjoy ownership of this data.

Privacy & Legislation Governments are introducing a number of measures such as the Protection of Personal Information Act ("POPIA") in South Africa and the General Data Protection Regulation ("GDPR") in the EU, which places a number of constraints on organisations when collecting data. Ultimately this could result in consumers demanding that companies remove their Pii from their systems.

Frameworks As an emerging asset class, personal data currently lacks the rules, norms and frameworks that exist for other asset classes.

mibubble is a multi-disciplinary platform that has been developed to address all three of the primary issues. In essence, mibubble is a Personal Information Management System ("PIMS") which enables the consumer (the owner and creator of the data) to securely transfer such data to third parties using the platform. The platform uses a **Private Blockchain** associated with the consumer's Pii and provides for full encryption and irrefutable audit trail on the Blockchain ledger.

We previously indicated that mibubble would be launched in the fourth quarter of 2016. This was consciously delayed due to the following:

- Advice from our patent attorneys to delay the launch before the patent on the platform was filed. The patent was filed in February 2017.
- Our presentation to over 40 brands led us to add additional features and benefits including crypto currency interfaces using our private Blockchain.
- We believe that the launch will receive more impetus when launched closer to POPIA becoming a reality and the GDPR coming into full force in May 2018.
- Linking the data management to a co-operative initiative enabling each user to become a member of the mibubble co-operative.

The launch will accordingly be made when the abovementioned factors are more closely aligned.

RESEARCH AND ANALYTICS

A natural evolution of the Group's primary strategic drivers of consulting and collecting data, was to move to the next phase of Research and Analytics. These skill-sets have been achieved through the Company's investments and acquisitions. Research and Analytics enables the Group to move from "gathering information" to "understanding information".

Organisational strategy must be built on evidence that reflects both the current reality and the directions of future change.

Research and Analytics are a critical part of every step in an organisation's evolution, from decisions about organisational content and direction, to the design of programmes or initiatives that implement decisions.

Analytics must both inform current decisions and position those decisions to take an organisation into a changing future.

The data that is collected within each of our commercial silos is used to create a value chain of analysis and decision metrics that provide the foundation and evidence upon which our clients' strategy and actions are built.

BMi Research Proprietary Limited ("BMi R")

BMi R produced a stellar performance under the leadership of Gareth Pearson, the CEO, and a well-structured team. **BMi R** is a full-service research house specialising in qualitative and quantitative research solutions.

BMi R has developed experience that understands industrial and manufacturing research, wholesale to retail intelligence and shopper insights.

Despite a challenging economy, record growth was achieved as a result of a continued refinement of strategy and operational factors, together with an expansion of the client base.

International clients also boosted the otherwise lack lustre local demand for research.

Highlights for the year included a new analytics project for a major Consumer Packaged Goods (CPG) client. This involved building a multi-tiered advanced dashboard utilising several data sets, providing the client with a dynamic and unique "single source of truth" view of their business.

With the sustained economic pressure on the general economy, the demand for retail pricing and, in particular, the increasing focus on promotional pricing by CPG brands and retailers has increased the demand for accurate and fast pricing data. **BMi R** has responded by improving the lead times of data

delivered from the field to the client, thereby offering clients a competitive advantage of near real-time pricing decision making.

Research in African markets continues to be sought by local companies and **BMI R** continues to successfully research multiple categories across a wide range of African markets. The continued sluggish performing South African economy appears to be driving data demand in these markets as local CPG brands extend their revenue growth by expanding their distribution into these markets.

Innovation continues to be a key driver in the research industry as clients seek additional insights via data analytics from their acquired data. A large opportunity therefore remains to assist clients in making better use of their existing data by combining their own internal data together with any external data they may have acquired. Delivering these insights in digital, dynamic and easy to use portals continues to be an opportunity for **BMI R**.

BMI Sport Info Proprietary Limited (“BMI S”)

BMI S was formally established in 1990 as the first and only, independent research company in South Africa to focus exclusively on the sport and sponsorship market. Through the development of unique research products, **BMI S** has remained at the forefront of this industry for the past 26 years and is recognised as a leader in the field, both within South Africa and internationally.

Its clients include most of Africa’s major sponsoring companies, television channels, sporting goods companies, sport controlling bodies and sponsorship management companies involved in sport, music and other sponsored causes.

BMI S has further expanded into the fields of strategic advertising evaluation, digital and social media as well as consulting services which cover all aspects of communication, research and strategy.

During the period under review Cognition acquired the remaining 37% of **BMI S** shares for a combination of cash or Cognition shares.

During the year under review, huge strides were made by the CEO, Dave Sidenberg, working with the Cognition team, to refine processes, procedures, technical and dashboard reporting to ensure greater efficiencies and outputs. This positions **BMI S** for greater momentum in the 2018 financial year.

In a world where devices, products and services are perpetually connected, sponsors now have powerful ways to reach their audiences. This disruption has left sports rights holders scrambling to make the shift to digital viewing and looking for ways to offer fans other ways to keep up with the action. Accordingly, the core of **BMI S** will remain “independent measurement”. The way in which measurement and delivery to clients takes place will evolve in the new digital market. The simultaneous usage and measurement of more than one screen will become a regular feature of consumers when consuming media.

BMI S has introduced two highly sought-after reports as part of this new re-positioning.

- **BMI S** Millennial Media Consumption Trends, which focusses on the media consumption habits of 16 – 24 year olds and how best to engage with them.
- eSports Status in South Africa, which looks at e-Sport/Gaming in South Africa; including a detailed analysis of preferred platforms, viewing preferences, live events, local commercial realities and growth opportunities.

Livingfacts Proprietary Limited (“Livingfacts”)

Livingfacts develops customised market research solutions to take organisations closer towards implementing intelligent strategies. Despite difficult economic circumstances and a rapidly changing retail market, **Livingfacts** had a stable performance under the leadership of the CEO, Marylou Kneale and her team.

Within the context of a transitory economy, **Livingfacts** focused on specialist business, marketing and research skills in areas where clients most need them. **Livingfacts** has successfully entrenched itself in high end, strategic and business-to-business market research which requires thinking, analysis of both primary and secondary data, and development of insightful outputs. While the use of big data tells clients “what is

happening in their client base”, **Livingfacts**’ research enables clients to understand “why clients are thinking what they think or doing what they do”.

Livingfacts has also produced several exciting pieces of Thought Leadership Research this year. This work has been done for clients to differentiate or position themselves as experts in their field. Topics that have been covered for clients include “Understanding the SME Needs In The Employee Benefits Market; how to “Foster Female Entrepreneurship” and “Understanding The Needs Of High Net Worth Clients”.

Livingfacts’ underlying philosophy is that whilst there is an abundance of data, there is a lack of understanding the information around the data and as a business they see this as their strategic focus.

Prospects

Trading conditions will remain challenging given the current state of the economy and uncertain political outcomes which are inextricably linked.

Our strategy is to refine each of our channels to market by being more operationally efficient and strategically acute.

Each of our five channels to market have strong leadership and are well versed in leveraging maximum value in difficult trading conditions.

Despite conscious delays in both SecurDox and mibubble and a further decline in faxing, the Group was nonetheless able to improve year-on-year earnings which is a testament to the strength of the core business and the introduction of new innovative services.

Accordingly, the year under review has enabled us to complete SecurDox, which is now in full commercial mode, and complete a more enhanced version of mibubble which will be launched in the 2018 financial year. This has put the Group in a fantastic position as development costs (vis-à-vis mibubble) for 2018 will be proportionately reduced.

Furthermore, the great success achieved with our Channel Incentive Programme has given us the confidence to gear up this division technically and with sales and marketing expertise.

We anticipate continued positive returns from BMi Research, BMi Sport and Livingfacts.

We will continue with our evaluation of further possible investments that will complement our five operational channels to markets, and shareholders will be kept up to date with progress in this regard.

My Appreciation

On behalf of Cognition, I remain thankful to the members of the Board for their valuable input and contribution to the growth of the Group, as well as to all our staff for their hard work, loyalty and contribution to the execution of our strategy.

I would also like to extend my thanks to the leadership of BMi Research, BMi Sport and Livingfacts for their contribution to our collective strategy, and lastly, but importantly, to all our network suppliers, dealers, partners, customers and stakeholders.

AUDIT REPORT

The annual financial statements for the year ended 30 June 2017 have been audited by Grant Thornton Johannesburg Partnership, the Company’s auditor. Their unmodified audit report is available for inspection at Cognition’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 III report”). Throughout the year under review, the Group has complied with the principles as set out in the King III.

FINAL DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross final dividend of 8.50 cents per share for the financial year ended 30 June 2017 (2016: 8 cents per share), which is adjusted for withholding tax. The final dividend has not been included as a liability in these audited financial statements as it was declared subsequent to year end. The final dividend for June 2017 is payable to all shareholders on the Register of Members on Friday, 20 October 2017. In terms of the dividends tax, effective 1 April 2012, the following additional information is disclosed:

- the local dividend tax rate is 20%;
- the dividends will be payable from income reserves;
- the dividend tax to be withheld by the Company amounts to 1.7 cents per share;
- therefore the net dividend payable to shareholders who are not exempt from dividends tax amounts to 6.8 cents per share, while the gross dividend payable to shareholders who are exempt from dividend tax amounts to 8.5 cents per share;
- the issued share capital of the Company at the declaration date comprises 137 615 798 ordinary shares; and
- the Group's income tax reference number is 9087/450/84/8.

Declaration date:	Wednesday, 27 September 2017
Last day to trade cum dividend	Tuesday, 17 October 2017
Date trading commences ex the dividend	Wednesday, 18 October 2017
Record date	Friday, 20 October 2017
Date of payment	Monday, 23 October 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 October 2017 and Friday, 20 October 2017, both dates inclusive.

ANNUAL REPORT

Shareholders are advised that the Annual Report is available on the Company's website at www.cgn.co.za. The Annual Report will be distributed to shareholders on Monday 2 October.

NOTICE OF AGM

Notice is hereby given that the 19th Annual General Meeting of shareholders of Cognition ("Annual General Meeting") will be held at 10:00 on Friday, 1 December 2017 at Cognition House, Corner Bram Fischer Drive and Will Scarlet Road, Ferndale Randburg (entrance on Will Scarlet Road) for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

The Board has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 24 November 2017. Accordingly, the last day to trade Cognition shares to be recorded in the Register to be entitled to vote will be Tuesday, 21 November 2017.

For and on behalf of the Board

Ashvin Mancha
Chairman

Mark Smith
Chief Executive Officer

Pieter Scholtz
Financial Director

Johannesburg
27 September 2017

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

[#] *Non-executive*

^{*} *Independent*

Company Secretary: Stefan Kleynhans BA Bluris LLB LLM (Banking Law)/(Corporate Law)

Auditor: Grant Thornton Johannesburg Partnership

Transfer Secretaries: Computershare Investor Services Proprietary Limited

Sponsor: Merchantec Capital