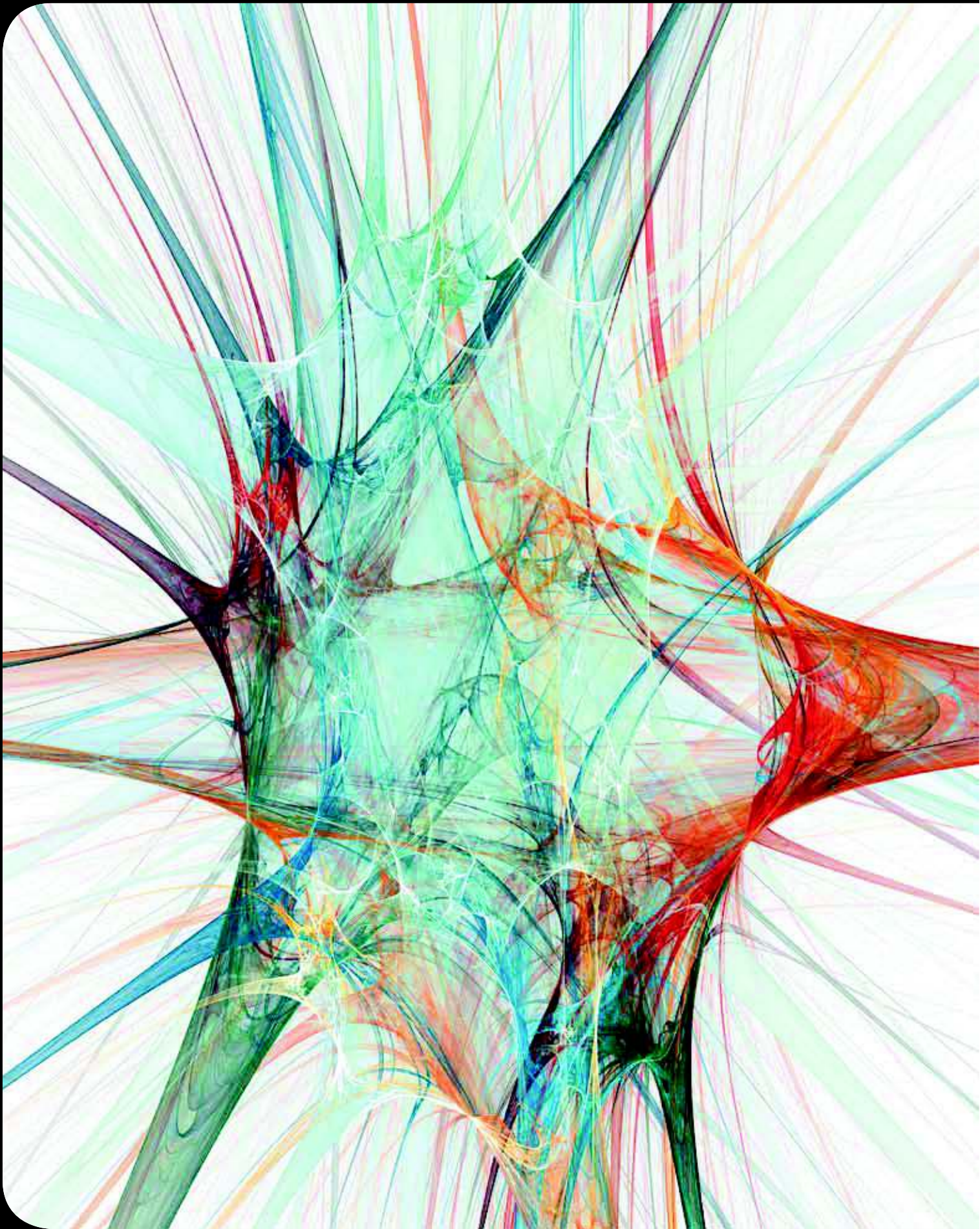




2011 Annual Report

CogState 



Chairman's Letter

The 2011 financial year was a challenging period for CogState. Foreign currency fluctuations throughout the year took their toll on top line revenue and profit margins, resulting in a number of difficult restructuring decisions that were made in June 2011. However, against this challenging backdrop, CogState continued to grow sales in its core clinical trials business as well as achieving key milestones in the sport and dementia screening markets that will provide the platform for CogState's future profit growth.

CogState is actively pursuing application of its technology in three key markets:

1. In CLINICAL TRIALS, where CogState technology is used to measure cognitive change in patients who are participating in studies to evaluate new pharmaceutical compounds;
2. In SPORT, where CogState technology is used to measure cognitive change in athletes who have suffered a concussive injury; and
3. In DEMENTIA SCREENING, where CogState is currently validating the use of its technology to identify the earliest signs of cognitive decline associated with dementia.

For the past six years, the business focus of CogState has been to grow revenue and profitability in our clinical trials business.

Every year since 2005, CogState has been able to increase the value of clinical trial sales contracts signed. From a low base of US\$0.4 million in 2005, CogState has grown the value of sales contracts in clinical trials to

US\$9.3 million in the 2011 financial year – a compound annual growth rate of 71.25%.

Notwithstanding our recent business focus on clinical trials, since the formation of CogState in 1999 our science team has been developing and validating the CogState technology as a low-cost, non-invasive screening tool for cognitive impairment that can be used either at-home or at a medical centre under physician supervision. This technology has application in both the sports and dementia screening markets.

The CogState technology was made widely available to individual consumers as a screening tool for the first time during the 2011 financial year, when CogState launched Axon Sports in North America. Axon Sports provides online cognitive assessment tools that aid the evaluation and management of sports related concussions. Axon Sports was originally established as a joint venture between CogState and our USA based partners. In August 2011, CogState acquired the other 50% of Axon Sports making Axon Sports a 100% owned subsidiary of CogState.

With the aim of ultimately servicing the market for dementia screening, the CogState science team has been validating the use of the CogState tests in healthy older adults in order to prove that it will provide a relatively cheap and practical means to identify in individuals very early cognitive changes consistent with Alzheimer's disease. Recent publications in this area show that CogState has a tool that is sensitive to dementia associated with Alzheimer's disease and Mild Cognitive Impairment. Further, it has been shown that there is a strong correlation between deterioration on the CogState tests and cerebral amyloid deposits as measured by new biomarkers that are being developed by a number of companies.

Outlook

CogState is well positioned to grow strongly over the coming years.

In the short term, our clinical trial business will continue to be the largest component of the Group's revenue and profitability, but we expect an increasing contribution from Axon Sports and the outlook for CogState use in dementia screening is exciting.

As a result of increased sales activity in the clinical trials area, as well cost reduction strategies that have been implemented, we are hopeful that CogState will return to profitability in the 2012 financial year.

Over the longer term, we hope to create significant shareholder value through development in the larger markets of sports and dementia screening.

Finally, I would like to take this opportunity to thank the CogState team who have continued to deliver a first-class service to CogState's growing list of customers in the pharmaceutical industry. On behalf of the Board, I would like to thank the team for their ongoing energy, commitment and passion for the business. I also thank our shareholders for their ongoing support of CogState.



Martyn Myer AO
Chairman

Melbourne, 23rd August 2011



A close-up photograph of a person's face, focusing on the eye and ear area. A pen is held near the eye, and the ear is visible. The image is used as a background for the slide.

CEO Review

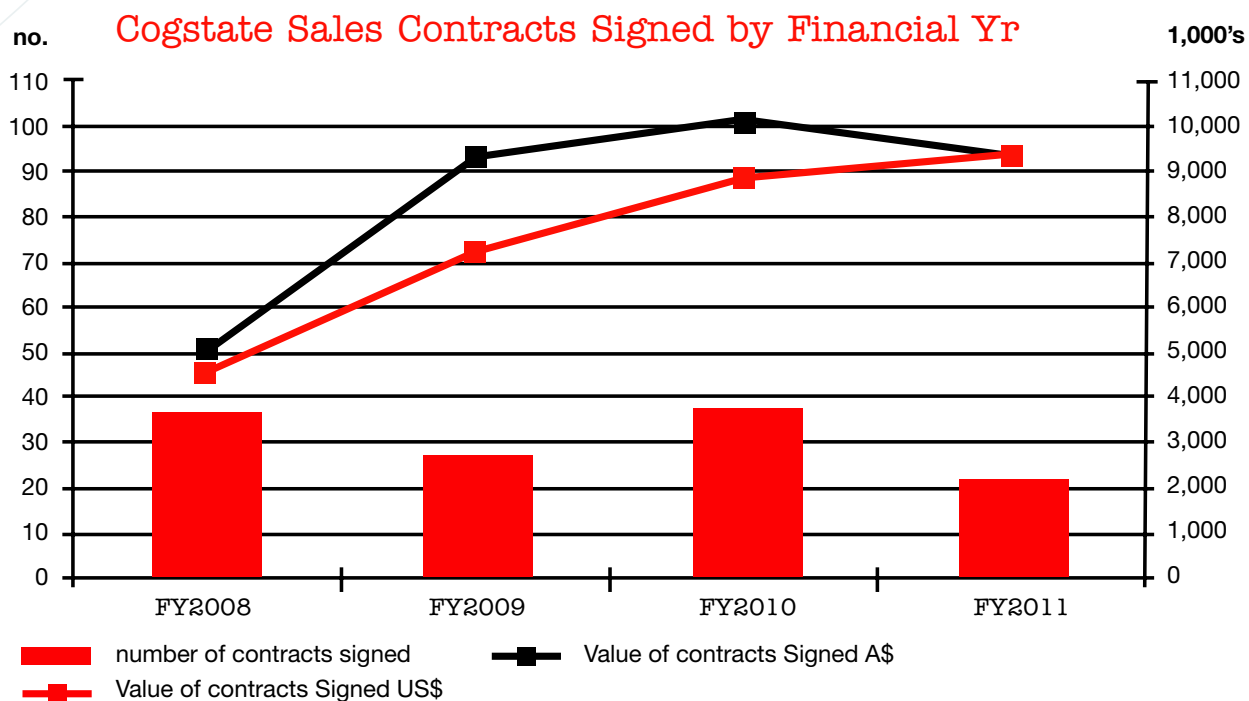
In 2011, the profitability of CogState's clinical trials business was severely impacted by the strength of the Australian dollar. Revenue from ordinary activities decreased by 15% to A\$8.2 million, resulting in a net loss from principal activities of \$0.1 million and a Net Loss After Tax of A\$0.9 million for the 2011 financial year.



Clinical Trials Sales Contracts

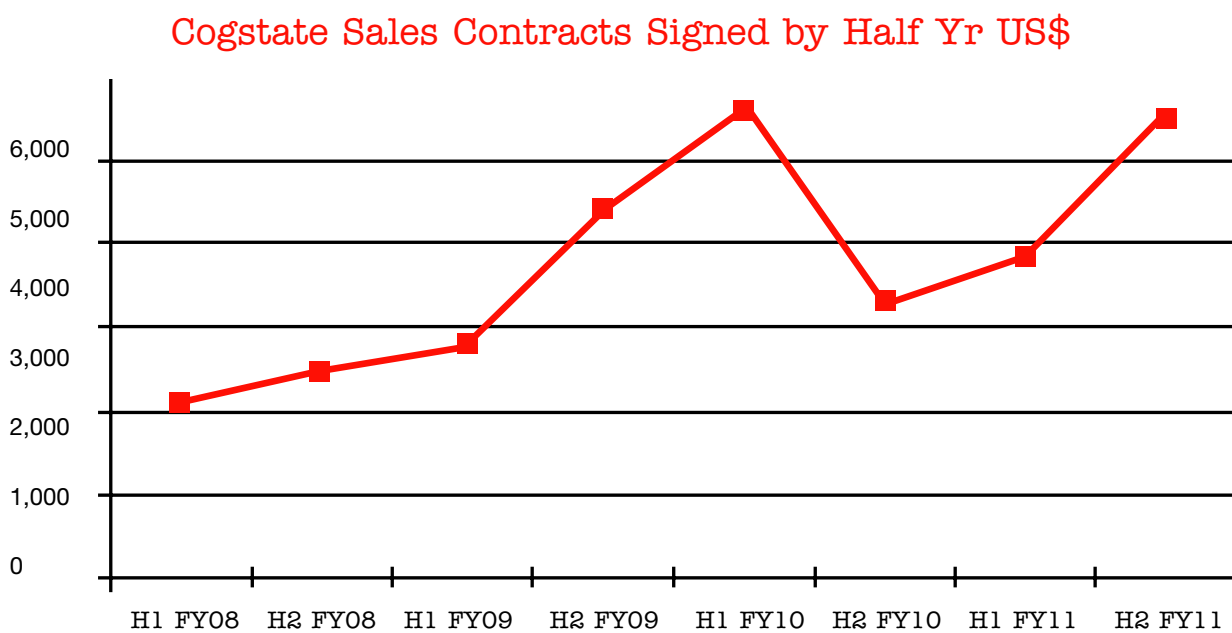
In the area of clinical trials, CogState signed sales contracts to the value of US\$9.3 million for the year to 30 June 2011, an improvement of 5.4% on the previous year.

CogState sales contracts are denominated in US dollars. The Australian dollar value of sales contracts signed in FY2011 was impacted negatively by the strong Australian dollar. The graph below shows the impact that the rising value of the Australian dollar has had on CogState sales contracts:



CogState recorded its strongest half year sales result in the period 1 January 2011 to 30 June 2011. Sales contracts signed in the second half of the financial year totalled US\$5.5 million, compared to US\$3.8 million in the first half of the year.

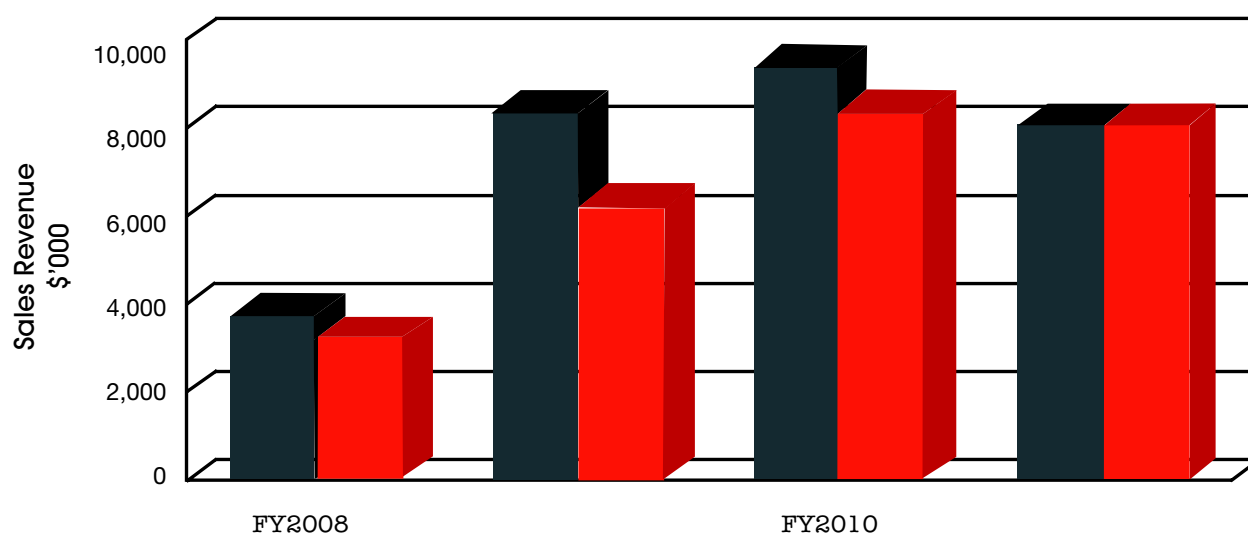
The graph below clearly shows the increased activity recorded in the second half of the 2011 financial year.



Clinical Trials Sales Revenue

Notwithstanding the increase in the value of sales contracts signed during the 2011 financial year, CogState recorded a decrease in recognised sales revenue of for the 2011 financial year. Measured in Australian dollars, CogState recorded A\$8.1 million revenue, a 14% decrease on the previous year (A\$9.5 million). However, when measured in US dollars, the decrease was 3% (FY11 US\$8.1m compared to FY10 US\$8.4m).

CogState Sales Revenue A\$ vs US\$



Cost Reduction Implemented

The stronger Australian dollar has reduced profit margins at CogState. Therefore in June 2011, CogState undertook a restructure which reduced headcount by 13 people (28% of total headcount) resulting in a gross annual cost saving of over \$1 million inclusive of wages and on-costs. The \$0.2 million restructure costs associated with termination of employment of the 13 staff were fully expensed in June 2011. The benefit of the cost savings from the restructure will be seen in the 2012 financial year results.

During the 2012 financial year, CogState expects to add approximately \$0.35 million of USA based costs to operating expenditure relating to additional roles within the clinical trial business. CogState will continue to seek to align its cost base with its US dollar denominated sales income.

After taking into account the additional costs associated with these new roles, net operating cost reductions in respect of the 2012 financial year are expected to be in the order \$0.65 million.

Cash Flow Positive

Notwithstanding a decrease in sales revenue resulting in a net loss after tax, CogState was able to record its third consecutive cash flow positive year. Cash on hand increased by \$0.2 million during the 2011 financial year, compared to an increase of \$0.1 million during the previous financial year.

CogState was able to reduce cash outflows from operations by 15% to \$7.57 million through rigorous cost reduction strategies as well as reduced costs from US operations reflecting the currency impact on US costs.

In addition, CogState was able to reduce its investment in computer hardware for use in clinical trials. During the 2011 financial year, CogState spent \$0.8 million less on computer hardware than during the previous financial year which was possible because hardware inventory on hand was largely sufficient to meet the needs for clinical trials commenced during the year.

Cognitive Testing Market Segmentation and Size

The cognitive testing market is widely expected to experience tremendous expansion over the next five years, driven by the simultaneous evolution of several key cognitive testing segments. In particular, cognitive testing is emerging as an increasingly important component of certain clinical trials, as a key indicator of traumatic head injuries (including accidents and sports-related concussions), and as a test performed to measure change in various forms of dementia, including dementia caused by Alzheimer's Disease.

Market Expansion Creates Opportunity for Accelerated Growth.

CogState has maintained cash flow positive operations for the past three years and is able to self-finance continued organic growth at a steady pace. But as the cognitive testing market expands at what is widely expected to be an accelerated pace, driven by increased adoption of cognitive tests in clinical trials, sports medicine, and testing of dementia, CogState has an opportunity to capture a disproportionate share of the market.

Cognition Testing Landscape

The vast majority of cognitive tests are administered through a paper-and-pencil or verbal methodology. There are relatively few computer-based tests relative to the overall cognitive testing market.

Test administrators are highly experienced with paper-based and verbal cognitive tests. The key benefits of these administrative techniques include their low cost, low technology requirements, ease of building into patient assessments, and their easy acceptance by patients. However, paper-based tests carry burdensome and time-consuming administration and analysis requirements. Verbal tests carry high training requirements to administer and interpret results and are sensitive to administrator technique. Moreover, both paper-based and verbal tests are subject to learning/practice effects.

In contrast, computer-based cognitive tests are easy to administer, integrate well with electronic medical records, offer automated scoring and analysis, and are not subject to the same degree of learning/practice effects.

Clinical Trials Market Assessment

Since 2005, CogState has provided cognitive testing services to 153 clinical trials across a broad array of indications and stages of clinical development. In aggregate, the total contracts signed by CogState include the following:

Phase of Clinical Development	Proof of concept / Proof of principle	Phase 1	Phase 2a	Phase 2b	Phase 3	Phase 4
Therapeutic Area						
Dementia	12	14	3	4	1	3
Schizophrenia	14	10	7	2	2	2
ADHD (adult and children)	5	3	3			1
Sleep disorders	8	8	5			
Depression	1	2	3			2
Anxiety	1	6				
Safety studies	3	4				
Pain	1	2	3			
Movement disorders	2	2	1	1		
Oncology			3			2
Endocrine disorders	1	1	2			
Infectious diseases			1			1
Other					1	

For a sense of the market opportunity in clinical trials, it is helpful to analyse the global clinical trial pipeline in relevant therapeutic areas that are sponsored by industry. The table bellows shows the number of clinical trials in active registration for indications that are relevant for CogState technology and services.

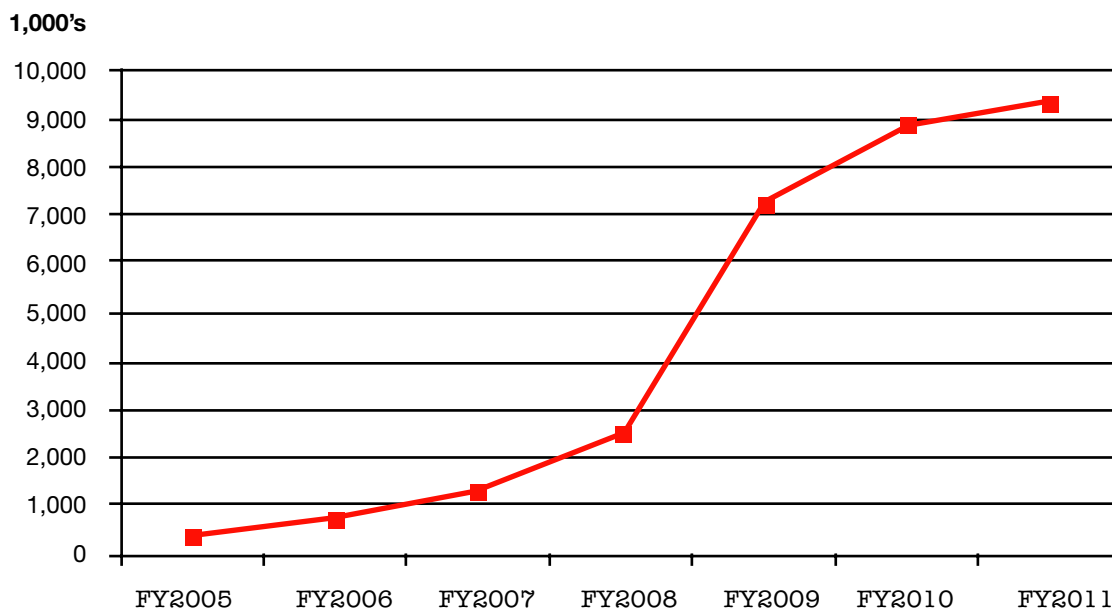
Therapeutic Area	Clinical Trials in Active Registration (Phase I - IV)	Average Number of New Clinical Trials Started Per Year (based on 2008-2010 data)
Cancer	3569	3319
Pain	2659	305
> Depression	1392	305
Anxiety	1004	462
Sleep	934	367
> Stroke	855	305
Multiple Sclerosis	271	91
Anemia (and Cognitive Function)	562	177
Memory	430	178
> Schizophrenia	403	175
> Dementia	384 (not mutually exclusive of AD)	195
> Alzheimer's Disease	233	128
Parkinson's disease	193	88
> Epilepsy	162	76
> HIV Dementia	54	2
Total "Core" CogState Indications	3,483	1,186
Total Potential CogState Indications	13,105	6,173

> "Core" Cogstate Indications

As can be seen, CogState's core business in the clinical trials market is currently capturing only a fraction of the overall market. Historically, most clinical trials that required an assessment of cognition would have utilised traditional paper & pencil methods of assessment, however there is now an increasing willingness to include computerised measures of cognition in clinical trials.

The graph below shows how CogState has been able to grow the value of clinical trials sales contracts signed since 2005. Given increasing scientific and commercial validation for the CogState system in a market where there is enormous scope for continued growth, CogState expects to continue to be able to deliver growth in clinical trial sales over the coming years.

Cogstate Clinical Trial Sales Contracts US\$



Targeting the Sports Market - Axon Sports

Last year, CogState made a strategic decision to sell cognition testing to the Sports market through a new joint-venture, Axon Sports LLC, and invested US\$750,000 (this investment was spread over two financial years) into the start-up for a 50% ownership position.

In August 2011, CogState acquired the remaining 50% stake in Axon Sports LLC resulting in Axon Sports becoming a 100% owned subsidiary.

Today, Axon Sports is an operating entity that is booking sales and forming key partnerships (www.axonsports.com). Axon addresses the current movement to Athlete concussion testing by establishing cognitive Baselines. These benchmarks are used as comparison points in the event of a concussion. The Axon Sports Computerized Cognitive Assessment Tool ("CCAT") makes testing easy, convenient and affordable. It is one of many tools used to determine the appropriate return to play/return to classroom timeframe for Athletes after they've experienced head injuries.

What Is A Concussion?

More and more common in sport, a concussion is a Traumatic Brain Injury induced by traumatic force – either a direct hit to the head or an indirect blow to the body. The injury affects an Athlete's brain function or cognition. Every Athlete reacts differently. Every recovery is unique to the individual and the injury.

The Science Behind The Test

CogState developed the technology behind the Axon Sports CCAT to help Medical Providers measure the cognitive function of Athletes after suspected concussions or Traumatic Brain Injuries. CogState is a true innovator in cognitive performance testing, having created a scientifically valid, reliable and easy to use system. Its efforts have led to peer-reviewed publications, multiple scientific presentations and cognitive testing of several thousand professional, collegiate, and elite Athletes throughout the world. Its research continues today.



Axon Sports

Axon Sports meets the current best practice standards by providing Athletes a quick and cost-effective online cognitive test. Athletes establish Baseline or “snapshots” of their brains’ speed and accuracy using the Axon Sports CCAT’s four simple tasks.

Repeating the same tasks After Injury identifies any cognitive changes from the Baseline performance. This helps indicate whether the brain has fully recovered from the injury. Qualified Medical Providers use the online test results in making decisions about when it is safe for Athletes to return to the classroom, practice, or competitive play.

Axon Sports is proud to lead the way as an innovator in online concussion management tools that address the growing need for Baseline and After Injury testing. Our mission is to protect and train the athletic brain. We believe Every Athlete should have access to a Baseline test Every Year.

Why Axon Sports

We recommend every Athlete take a Baseline test from Axon Sports every year to establish an individual Baseline of brain function. This helps qualified Medical Providers have a reference point for comparison if the Athlete suffers a concussion.

QUICK – Athletes as young as age 7 can take a Baseline test in eight to 10 minutes. Results are available immediately.

EASY TO UNDERSTAND – The test features playing cards which are universally understood at every age and educational level.

CONVENIENT – No software to download. The test and resulting data are available online and protected using an encrypted password system. We'll store your test results for 15 years, allowing you to share the data as needed.

SCIENTIFICALLY VALID – The Axon Sports CCAT is powered by CogState technology which has been validated in peer-reviewed articles.

WELCOMING – There are no user or consulting fees. The Axon Sports CCAT is simple enough to be used in return-to-play decisions by Athletic Trainers, Primary Care Doctors, or Specialists. Any qualified Medical Provider who can set aside a half hour to review the online tool can use it effectively.

USED FREQUENTLY WITH CONFIDENCE – Whether Athletes test daily or hourly, repeated testing will not generate practice effects.

ONLINE TOOLKIT – This practical resource offers cutting-edge tools, best practices, and other items for your concussion management program.



Dementia Screening

CogState scientific teams and their collaborators have completed validation of CogState tasks, data capture, data analysis and data reporting systems for use in dementia screening programs.



Studies have been completed showing that decline in memory function in a subgroup of otherwise healthy older people is associated with increased probability of abnormally high levels of cerebral amyloid (e.g. Figure 1).

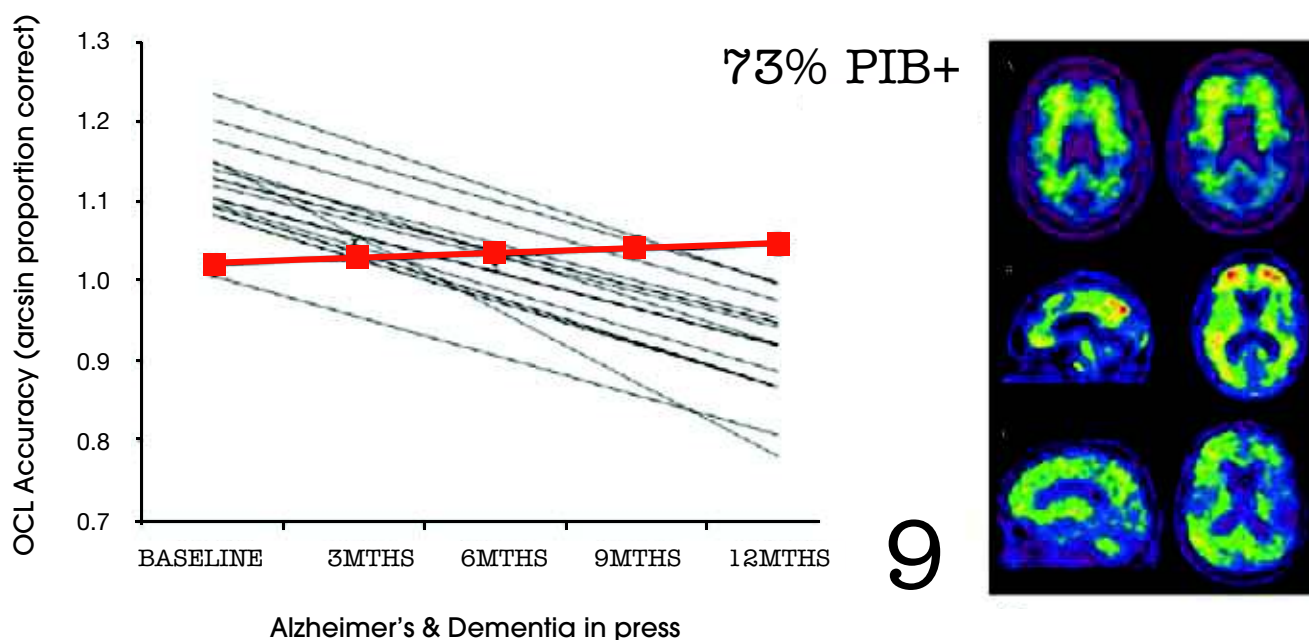
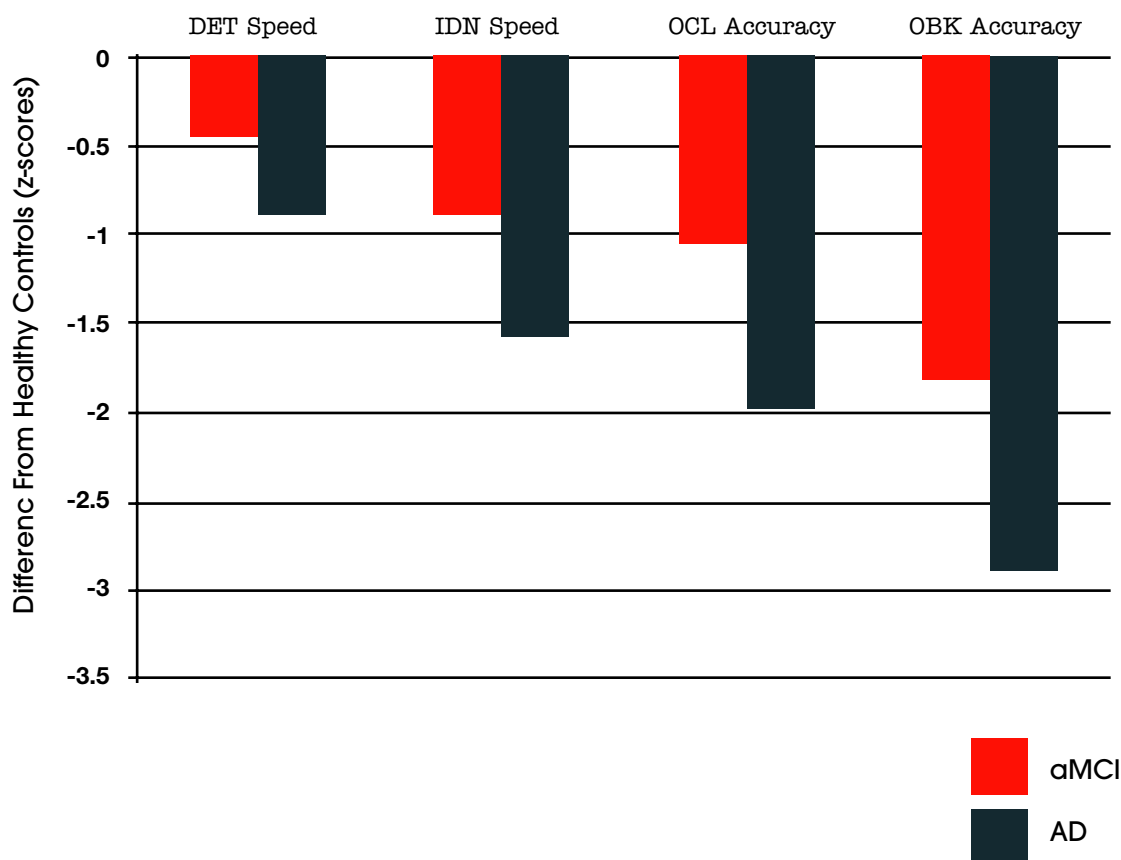


Figure 1: deterioration of memory function in otherwise healthy older adults was associated with positive cerebral amyloid on PIB scanning (from Darby et al in press)

The results of the study summarized in Figure 1 provide an important demonstration of two aspects of the design of the CogState brief battery, these are that repeated performance does not give rise to practice effects and hence it is possible to test individuals repeatedly even over relatively brief retest intervals and second that decline in performance on these tests is clinically meaningful. This approach means that use of screening batteries with characteristics of the CogState battery in healthy older adults may provide a relatively cheap and practical means to identify very early individuals with pathophysiological changes consistent with Alzheimer's disease, for whom there may be benefit of early treatment with drugs designed to reduce this amyloid burden.

Figure 2 below shows the magnitude of impairment in performance on each of the four tests from the CogState brief battery in individuals with mild cognitive impairment (MCI) and Alzheimer's disease (AD) from the Australian Imaging Biomarkers and Lifestyle (AIBL) study. The figure shows that in the AD group, performance on the tests of memory and working memory are impaired substantially. In contrast performance on measures of attention and psychomotor function remain relatively intact. A qualitatively similar but quantitatively less severe pattern of impairment is evident in the MCI group. These data demonstrate the sensitivity of the CogState task to AD related cognitive impairment and can provide the basis for a screening algorithm for application to dementia screening programs.



Corporate Info

ABN 80 090 975 723

Directors

Mr Martyn Myer AO (Chairman)

Mr Brad O'Connor (Chief Executive Officer)

Mr Richard Morgan (retired 30 June 2011)

Mr David Simpson

Dr Michael Wooldridge (retired 30 June 2011)

Mr Richard van den Broek (appointed 26 August 2010)

Company Secretary

Ms Claire Newstead-Sinclair (appointed 26 August 2010)

Registered Office

Level 2 / 255 Bourke Street
Melbourne, Vic 3000, Australia

Solicitors

Clayton Utz
333 Collins St
Melbourne, Vic 3000, Australia

Bankers

National Australia Bank
Level 3 / 330 Collins Street
Melbourne, Vic 3000, Australia

Share Register

Link Market Services
Level 1 / 333 Collins Street
Melbourne, Vic 3000, Australia

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Vic 3000, Australia

Internet Address

www.cogstate.com

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Directors' Report

Your directors submit their report for the year ended 30 June 2011.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Martyn Myer AO, BE, MESC, MSM (Non Executive Chairman)

Mr Myer is Chairman of CogState Limited. Mr Myer also chairs the Remuneration and Nomination Committee and the Audit and Compliance Committee. Until 30 June 2007 he was President of the Howard Florey Institute of Experimental Physiology and Medicine and was a director of the Florey Neuroscience Institutes until May 2010. At the Howard Florey Institute he participated in the transition of the Institute's research focus towards

diagnostic and therapeutic neuroscience, including a focus on degenerative brain diseases. Mr Myer was appointed to the Council of the University of Melbourne in February 2010. Mr Myer obtained his Master of Science in Management at MIT in Boston, and his Master of Engineering Science at Monash University, Melbourne. During the last three years, Mr Myer has also served as a director of the following listed companies:

- Diversified United Investment Ltd - Appointed: 23 September 1991
- SP Australia Networks (Transmission) Ltd- Appointed: 26 October 2005 Retired 13 July 2010
- SP Australia Networks (Distribution) Ltd- Appointed: 9 September 2005 Retired 13 July 2010
- SP Australia Networks (Finance) Trust - Appointed: 9 September 2005 Retired 13 July 2010

Brad O'Connor B.Bus **(Director and Chief Executive Officer)**

Managing Director and Chief Executive Officer since December 2005.

Brad has responsibility for CogState's overall strategic direction and day-to-day operations as well as development of expansion opportunities outside of the core clinical trials business. Brad is also a director of CogState Inc., CogState Sport Inc., and Axon Sports LLC.

Prior to taking the position of CEO at CogState, Brad joined CogState as Chief Financial Officer and Company Secretary in May 2004. Prior to that, Brad held senior positions at Spherion Group, Australian Wine Exchange and PricewaterhouseCoopers. Brad is a chartered accountant who holds a Bachelor of Business degree.

Mr David Simpson BA (Honours) FAICD **(Non-Executive Director)**

Mr Simpson is an independent non-executive Director for CogState Ltd and Axon Sports. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. He is the Chairman for Cool Australia, an environmental charity, and also works as a business consultant and executive coach. The bulk of his previous career was in the multinational advertising industry holding a series of leadership roles for Omnicom and WPP in North America, Asia and South Africa as well as Australia.

Mr Richard van den Broek CFA **(Non-Executive Director)**

Mr van den Broek is an independent non-executive Director appointed on 26 August 2010. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Mr van den Broek is founder and managing partner of HSMR Advisors LLC, a U.S. based fund manager with an investment emphasis on small and mid-cap biotech public companies.

From 2000 through 2003 he was a Partner at Cooper Hill Partners, LLC, an investment fund focused on the healthcare sector. Prior to that Mr. van den Broek had a ten year career as a biotech analyst, starting at Oppenheimer & Co., then Merrill Lynch, and finally at

Hambrecht & Quist. During the last three years, Mr van den Broek has also served as a director of the following listed companies:

- Pharmaxis Ltd - Appointed: April 2009

Mr Richard Morgan, CBiol.MI.Biol, Dip RC Path **(Non-Executive Director)**

Mr Morgan was an independent non-executive Director until he retired from the Board of Directors on 30 June 2011. He sat on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Mr Morgan has over 25 years experience as senior R&D manager with Wellcome, GlaxoWellcome and GlaxoSmithKline. Following a period as Interim Head of Preclinical for PowderJect Pharmaceuticals, Mr Morgan established his own consultancy company providing advice on Toxicology and Preclinical Discovery and Development to client companies in the UK and Australia. Mr Morgan is also a principal of Medicines Development Limited and on the advisory boards of a number of Australian biotechnology companies. Mr Morgan holds C.Biol. M.I.Biol (Laboratory Animal Pathology) from the Institute of Biology and Dip.RCPATH (Toxicology) from the Royal College of Pathologists.

Dr Michael Wooldridge MBBS, MBA, BSc **(Non-Executive Director)**

Dr Wooldridge was an independent non-executive Director until he retired from the Board of Directors on 30 June 2011. He sat on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Dr Wooldridge is currently Chairman of Neurosciences Australia, Prime Retirement & Aged Care Property Trust and the Cooperative Research Centre in Oral Health Science. He is also Associate Professor at the University of Melbourne. During the last three years, Dr Wooldridge has also served as a director of the following listed companies:

- Dia-B Tech Ltd - Appointed: 22nd August 2003; Resigned 9 November 2009
- Prime Retirement & Aged Care Property Trust - Appointed: 1st October 2007
- Australian Pharmaceutical Industries Limited - Appointed: 1 February 2006

Company Secretary

Claire Newstead-Sinclair BBus, CA

Claire was appointed as Company Secretary and Finance Manager on 26 August 2010, prior to which she worked as a Finance Manager for OAMPS Insurance Brokers, part of the Wesfarmers Group. Claire studied accountancy at Monash University and was admitted as a member of the Institute of Chartered Accountants in April 2004.

Interests in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of CogState Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr Martyn Myer	13,938,868	1,506,674
Mr Brad O'Connor	2,457,825	2,420,000
Mr David Simpson	607,538	365,000
Mr R van den Broek	3,320,000	100,000

Principal activities

The principal activities of CogState Limited during the year were the sale of computerised tests of cognition and associated services including scientific consultancy, project management, data management, statistical analysis and reporting. Principally these products and services were sold to pharmaceutical, biotechnology, nutraceutical and functional food companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials. Other markets for the same technology are sports (where the tests are used to help doctors to determine when an athlete has recovered from a concussive brain injury) and dementia screening (where the tests are used by doctors to monitor for cognitive decline over time).

Operating and financial review

Group Overview

CogState Limited (CogState) was founded in 1999 and listed on the Australian Stock Exchange in February 2004.

CogState has two primary offices, an Australian office based in Melbourne, Victoria and a USA office based in New Haven, Connecticut. Staff who are not based in either of these offices work remotely, including CogState Principal Scientist, Dr John Harrison, who is based in the United Kingdom.

In July 2006, CogState Limited incorporated a wholly owned subsidiary, CogState Inc. CogState Inc employs all USA based staff.

In May 2011, CogState Inc incorporated CogState Sport Inc for investment in Axon Sports LLC.

CogState Limited, CogState Inc. and CogState Sport Inc form the Group.

CogState is focussed solely on the development and commercialisation of rapid computerised tests of cognition. To date, the major application of CogState's technologies has been in clinical testing. In this setting, a pharmaceutical company or similar organisation will contract to utilise CogState's tests to determine the effect on cognition of their drug, device or other intervention.

The tests provide rapid, sensitive and valid measurement of distinct cognitive functions. The tests use novel visual and verbal stimuli to ensure assessment is culture-neutral and not limited by a subject's level of education. All CogState tests are designed for repeated administration with minimal practice or learning effects, making them ideal for use in clinical research trials.

Operating Results for the Year

A summary of consolidated revenue and results is set out below:

	First Half Jul – Dec 2010 \$	Second Half Jan – Jun 2011 \$	Financial Year 2011 \$	Financial Year 2010 \$
Recognised sales revenue	3,953,495	4,179,763	8,133,258	9,484,958
Revenue from principal activities	3,953,495	4,179,763	8,133,258	9,484,958
Cost of sales	(1,924,613)	(1,828,417)	(3,753,030)	(3,878,962)
Gross Profit from principal activities	2,028,882	2,351,346	4,380,228	5,605,996
Expenses relating to principal activities				
Employment costs*	(1,367,337)	(1,298,430)	(2,665,767)	(2,803,330)
Administrative expenses	(395,807)	(248,429)	(644,236)	(766,886)
Travel	(224,870)	(180,002)	(404,872)	(606,577)
Other operational costs	(436,762)	(320,462)	(757,224)	(858,180)
Total expenses of principal activities	(2,424,776)	(2,047,323)	(4,472,099)	(5,034,973)
Net profit/(loss) from principal activities	(395,894)	304,023	(91,871)	571,023

	First Half Jul – Dec 2010 \$	Second Half Jan – Jun 2011 \$	Financial Year 2011 \$	Financial Year 2010 \$
Other revenue/(expenses)				
Finance Revenue	63,609	51,193	114,802	101,389
Other Revenue	-	-	-	160,907
Net foreign exchange gain/(loss)	(300,366)	97,094	(203,272)	(79,344)
Gain/(loss) on disposal of assets	(8,490)	-	(8,490)	9,318
Contract termination fees	(92,368)	(33,872)	(126,240)	(303,854)
Fair value gain/(loss) on derivatives	163,067	(107,049)	56,018	(27,152)
Profit/(loss) from Axon Sports LLC	(381,010)	(244,632)	(625,642)	(21,793)
Finance Costs	(18,867)	(14,839)	(33,706)	(30,599)
Total other revenue/(expenses)	(574,425)	(252,105)	(826,530)	(191,128)
Operating profit/(loss) from operations, before income tax	(970,319)	51,918	(918,401)	379,894
Income tax credit/(expense) attributable to operating result	75,075	(2,880)	72,195	1,257,721
Profit/(loss) from operations, after income tax	(895,244)	49,038	(846,206)	1,637,615

* - Performance-based bonuses expensed in June 2011 have been allocated evenly across the financial year

More detail and commentary on the operations and the results from those operations are set out below:

Revenue

Recognised consolidated sales revenue was derived from the following areas:

	First Half Jul – Dec 2010 \$	Second Half Jan – Jun 2011 \$	Financial Year 2011 \$	Financial Year 2010 \$
CogState Clinical Trials	3,456,602	3,849,147	7,305,749	8,569,705
CogState Sport	76,962	76,359	153,321	200,230
CogState Research	18,399	22,319	40,718	20,414
Expense recoveries	401,532	231,938	633,470	694,609
Recognised sales revenue	3,953,495	4,179,763	8,133,258	9,484,958

The Group recorded a decrease in recognised sales revenue of 14%. Revenue from clinical trials for the second half of FY2011 increased, reflecting a greater number of sales contracts signed in the second half of FY2011 year, despite the weaker US dollar rate.

Shareholder Returns

	2011	2010
Basic Earnings Per Share (cents)	(1.27)	2.48
Return on assets %	(10.8)	18.9

Cash Flows from Operations

	First Half Jul – Dec 2010 \$	Second Half Jan – Jun 2011 \$	Financial Year 2011 \$	Financial Year 2010 \$
Cash receipts from customers	3,583,801	4,461,130	8,044,931	10,158,721
Net operating cash inflows/(outflows)	(497,619)	1,007,807	510,188	1,408,847

Dividends

No dividend was paid during the year and the Directors do not recommend a dividend be paid in respect of the year ended 30 June 2011.

Review of Financial Condition Capital Structure

The Group has no debt and has sufficient working capital with which to fund its operations.

The only capital issued during the year was in relation to employees exercising options allocated under the CogState Employee Share Plan.

Net cash inflow from operating activities for the year to 30 June 2011 was \$0.51 million, a decrease of \$0.90 million on the corresponding prior year's net inflow of \$1.4m.

The net operating cashflow compared to the previous financial year reflects that when measured in Australian dollars, CogState recorded a decrease in sales revenue and therefore also a reduction in cash receipts.

Liquidity and Capital Resources

The Group has \$3.30m in cash and cash investments at 30 June 2011 (2010: \$3.09m).

The Group has sufficient capital resources to fund operations.

Risk Management

The Group has established an Audit and Compliance Committee which is focussed on:

- Monitoring corporate risk and implementing controls to manage those risks;
- The development of risk action plans and the activities of management in monitoring the risks identified;
- Continuous review of risk management practices within the Group.

The Board has put in place the following mechanisms to ensure that management's objectives and activities are aligned with the risks identified:

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets; and
- Implementation of Board approved policy and procedures manual to ensure that management can act within defined parameters and risk levels before needing to seek Board approval.

Significant Changes in the State of Affairs

With the exception of any matters referred to in this Directors report, or the financial statements and notes of the Consolidated Entity accompanying this report, there were no significant changes in the state of affairs of the Consolidated Entity during the 2011 financial year.

Significant Events after the Balance Date

On 22 August 2011, CogState Limited, via its wholly owned subsidiary, CogState Sport Inc, entered into a joint arrangement with Quixote Investments LLC whereby both parties agreed to transfer to Axon Sports LLC certain Intellectual Property related to Axon Potential in exchange for additional units in Axon Sports. CogState received an additional 288,000 units with a value of US\$144,000 and Quixote Investments LLC received an additional 488,000 units with a value of US\$244,000. No change occurred to the ownership percentage of Axon Sports LLC as a result of this transaction.

On 22 August 2011, CogState Limited, via its wholly owned subsidiary, CogState Sport Inc, acquired Quixote Investments LLC's 50% interest in Axon Sports LLC, taking CogState's total interest to 100%.

The total consideration transferred for this transaction was estimated to be \$2,537,022, comprised of an issue of equity instruments and the fair value on acquisition date of the 50% of Axon Sports LLC already owned by CogState. The Group issued 7,461,831 ordinary shares with a fair value of \$0.17 each, based on the quoted price of the shares of CogState Ltd on the date of exchange.

The attributable costs of the issuance of ordinary shares will be charged directly to equity as negative contributed equity.

The fair values of the identifiable assets and liabilities of Axon Sports LLC as of the date of acquisition were:

	Fair value at acquisition date*
Cash and cash equivalents	194,913
Trade receivables (book and fair value)	20,274
Prepayments	5,946
Plant and equipment	77,553
	298,687
Trade payables	(31,710)
Other payables	(43,608)
Deferred compensation	(52,395)
	(127,712)
Provisional fair value of identifiable net assets	170,975
Goodwill / identifiable intangibles arising on acquisition	2,366,047
	2,537,023
Acquisition-date fair-value of consideration transferred	
Share issued, at fair value, for 50% interest acquired on 22 August 2011	1,268,511
Acquisition-date fair-value of initial 50% interest	1,268,511
Consideration transferred	2,537,023

* The fair values of the identifiable assets and liabilities acquired as part of the business combination have been determined provisionally and are based upon the best information available as initial accounting was not complete as at the reporting date. The company acquired the intellectual property associated with online sports concussion testing and Axon Potential. The allocation between goodwill and intellectual property of the excess consideration paid over the tangible identifiable net assets listed above has not been completed due to the close proximity of this transaction to reporting date.

Key factors contributing to goodwill being recognised upon acquisition include:

- The 100% control of Axon Sports will allow CogState to utilise the Axon Sports online testing and associated materials to pursue the sports concussion markets outside North America.
- 100% control of Axon Sports means that CogState is in a position to take full advantage of current opportunities being discussed with large pharmaceutical companies with the aim of making CogState technology available to clinicians as a low cost, non-invasive, screening tool that could be provided within a clinician's surgery, in numerous indications, including sports concussions.

Additional disclosures which were not practical due to the proximity of transaction date to reporting date:

- Whether any component of the reacquired rights represents an "effective settlement" of Axon Sports' licensing arrangement for use of the CogState name / technology / IP in the United States of America
- As the amount of the indicative consideration may be subject to change (as an effective settlement) the amount of goodwill / intangibles may change
- The consideration will also potentially change the amount of gain on sale of the Axon Sport's equity accounted balance
- Determination of specific transaction costs
- Finalise the income tax implications of the business combination.

Likely Development and Expected Results

CogState will focus on three markets for its technology throughout the 2012 financial year:

1. Clinical Trials
2. Sport
3. Dementia Screening

In Clinical Trials, CogState will seek to improve margins and profitability.

In Sport, CogState will continue to support the sales efforts of Axon Sports.

In Dementia screening, CogState will continue to advance the scientific validity of the CogState technology as a screening tool whilst pursuing opportunities to commercialise the technology.

The results of the Group, revenue and profit, will continue to be impacted by movements in the Australian dollar, relative to the USA dollar. In 2011, the Australian dollar continued to strengthen against the US dollar.

It is expected that the Group will improve its result for the 2012 financial year, subject to the impact of further strengthening of the Australian dollar.

Unissued shares

As at the date of this report, there were 9,201,470 unissued ordinary shares under options. Refer to the remuneration report and Note 26 of the financial report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Indemnification and Insurance of Directors and Officers

During the financial year, the Group has paid premiums in respect of a contract insuring all the directors of CogState Limited against costs incurred in defending proceedings for conduct involving any wrongful act by a director. The total amount of the insurance contract premium paid was \$32,312 (2010: \$32,098).

Environmental Regulation

Given the nature of its business, CogState is not subject to environmental regulation.

Directors' Meetings

The number of meetings of directors (including meetings of Committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	Directors' Meetings		Meetings of Committees			
	Attended	Eligible To Attend	Audit & Compliance		Remuneration & Nomination	
			Attended	Eligible To Attend	Attended	Eligible To Attend
Number of meetings held:		8		3		1
Number of meetings attended:						
M Myer	8	8	3	3	1	1
B O'Connor	8	8				
R Morgan (retired 30 June 2011)	8	8	3	3	0	0
D Simpson	7	8	1	3	1	1
M Wooldridge (retired 30 June 2011)	7	8	2	3	0	0
R van den Broek (appointed 26 August 2010)	6	6	2	2	1	1

Committee Membership

As at the date of this report, the company had an Audit and Compliance Committee, and a Remuneration and Nomination Committee. Members acting on the committees during the year were:

Audit & Compliance	Remuneration & Nomination
M Myer (c)	M Myer (c)
D Simpson	D Simpson
R van den Broek (appointed 26 August 2010)	R van den Broek (appointed 26 August 2010)
M Wooldridge (retired 30 June 2011)	M Wooldridge (retired 30 June 2011)
R Morgan (retired 30 June 2011)	R Morgan (retired 30 June 2011)

(c) Designates the chairman of the committee.

Auditor Independence

The directors received the following declaration from the auditor of CogState Limited.



Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001
Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of CogState Limited

In relation to our audit of the financial report of CogState Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Joanne Lonergan'.

Joanne Lonergan
Partner
Melbourne
23 August 2011

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Martyn Myer'.

Martyn Myer AO
Chairman

Melbourne, 23rd August 2011

Remuneration Report (Audited)

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Parent and the Group.

Remuneration Philosophy

The performance of CogState is dependent upon the quality of its directors and senior executives. Given the developing nature of CogState, the remuneration policy must reflect the need to attract, motivate and retain highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high quality executives;
- Provide an equity incentive for senior executives that will highly motivate executives and align their motivation with creation of shareholder value; and
- Ensure that rewards are referenced to relevant employment market conditions.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and the amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive directors and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 21st October 2009 when shareholders approved an aggregate remuneration of \$350,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed periodically. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. Non-executive directors are encouraged to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company. The non-executive directors of the company also participate in the employee share option plan.

The remuneration of non-executive directors for the year ended 30 June 2011 is detailed later in this report.

Senior manager and executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company. The objective of the remuneration policy is to:

- Reward executives for company and individual performance;
- Align the interests of the executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee has reviewed reports detailing market levels of remuneration for comparable roles.

Remuneration consists of fixed and variable elements, with the variable component broken down further into short and long term incentives.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of company-wide and individual performance, relevant comparative remuneration from external sources and relevant comparison between roles within the company. As noted above, the Committee draws on relevant industry remuneration data.

Structure

Executives receive their fixed remuneration as a salary payment.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as sales growth, process improvement, product development and leadership/team contribution. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The aggregate pool of potential STI payments has been approved by the Remuneration Committee.

Variable Remuneration – Long Term Incentives (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of options.

The options awarded may be subject to performance specific hurdles. Historically, the options have not been subject to performance hurdles because of the changing nature of the company and its changing focus during its formative years. However, options issued to Brad O'Connor, Executive Director and Chief Executive Officer, which were approved by shareholders at an Extraordinary General Meeting of members on 22 February 2006, had the following additional vesting conditions attached:

50% of the options can be exercised by Mr O'Connor when the share price of the Company's ordinary shares reaches \$0.30 and for a period of at least one calendar month after the share price has reached \$0.30, the average closing price of the Company's ordinary shares is at least \$0.30 and the remaining 50% of the options can be exercised when the share price of the Company's ordinary shares reaches \$0.40 and for a period of at least one calendar month after the share price has reached \$0.40, the average closing price of the Company's ordinary shares is at least \$0.40.

The above performance hurdles have been attached to these options to promote activities within the company to increase shareholder value.

Under normal conditions, the options vest with the executive over a period of three years from the date of issue. One third of the options vest on the first anniversary of the issue of the options and then one thirty-sixth (1/36) vests every month for the next twenty-four months, such that all options have vested after 3 years.

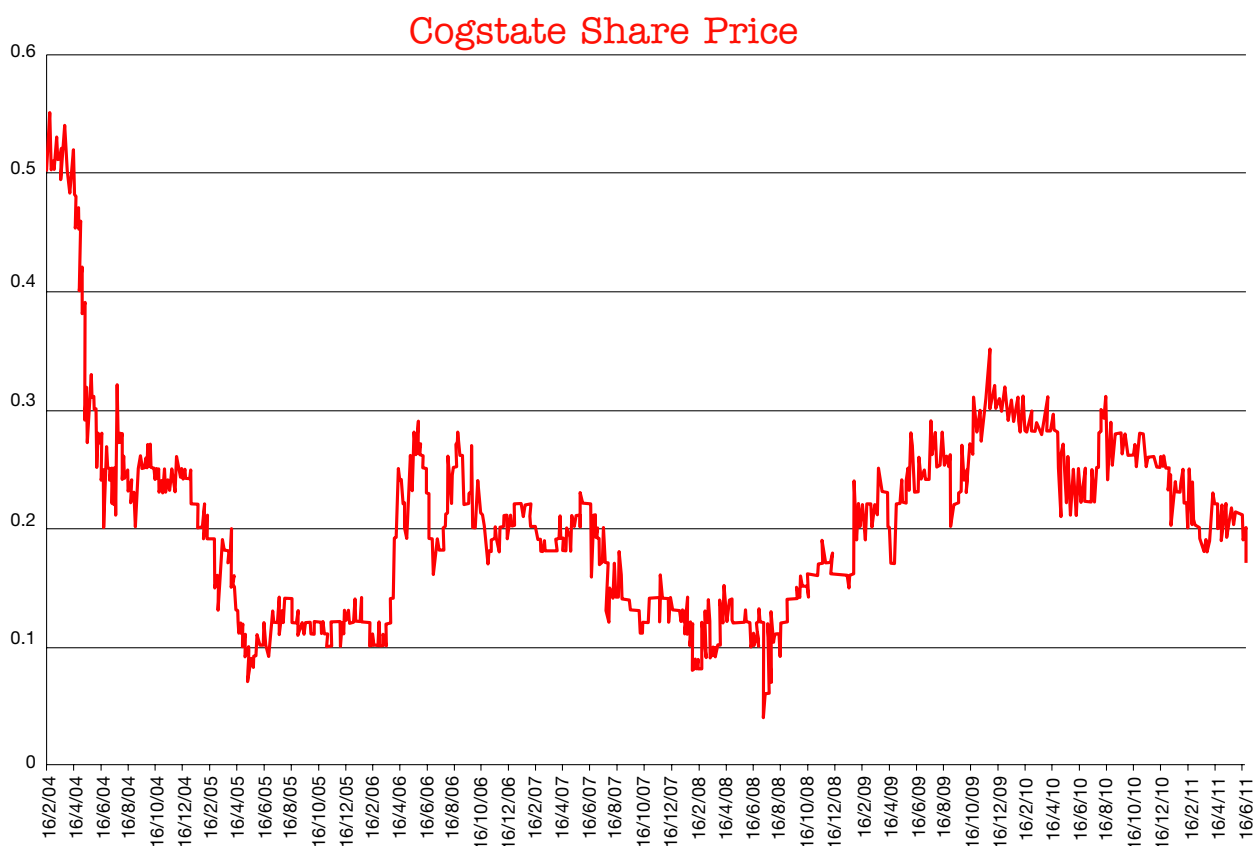
Should an executive cease to be employed by CogState then all options which have not yet vested will automatically lapse. Any options that have vested with the executive must be exercised within 30 days of ceasing employment or those vested options will also lapse.

The exercise price of the options is determined by the prevailing market price of CogState shares as at the date of the issue.

Historically the options have had an exercise period of ten years from the date of issue, however all issues of options under the employee option plan since June 2009 have an exercise period of five years, and at any time during that period, the executive can decide to exercise any vested options, provided the executive does not cease employment during that time.

Group Performance

The graph below shows the performance of the Group (as measured by the Company's share price) since listing in February 2004.



Employment Contracts

Chief Executive Officer

The CEO, Brad O'Connor, is employed under contract. The current employment contract was entered into on 1 December 2005 and amendments made, as necessary, since that date. Under the terms of the contract:

- Mr O'Connor receives fixed remuneration and may be eligible for short term cash incentives based on specified financial results for the company.
- Either party may terminate the contract by providing twelve months written notice.
- Upon termination, any Employee Share Options that are vested may be exercised by Mr O'Connor within a 30 day period. Any options that are un-vested, or any vested options not exercised within 30 days of termination of the employment contract, will be forfeited.
- The company may terminate the contract immediately upon the event of certain specified acts or omissions by Mr O'Connor.

Other Executives (standard contracts)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive. On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Details of Key Management Personnel

(including the five highest paid executives of the Company and the Group)

Directors		Specified Executives	
Mr M Myer	Chairman (non-executive)	Prof P Maruff	Chief Scientific Officer
Mr B O'Connor	Chief Executive Officer & Executive Director	Assoc Prof David Darby (resigned 1 July 2011)	Chief Medical Officer
Mr R Morgan (retired 30 June 2011)	Director (non-executive)	Dr John Harrison	Principal Scientist
Dr M Wooldridge (retired 30 June 2011)	Director (non-executive)	Sophie Egholm	Head of Operations
Mr D Simpson	Director (non-executive)		
Mr R van den Broek (appointed 26th August 2010)	Director (non-executive)		

Table 1: Directors' & Key Management remuneration for the year ended 30 June 2011

Short-term			Post Employment		Long Term Benefit	Share based payment		Total	% of remuneration that is performance related
Salary & Fees \$	Non Monetary \$	Cash Bonus \$	Super'n \$	Retire-ment Benefits \$	Long service leave \$	Options \$	Termination benefits \$	\$	%

Directors

M Myer	70,642	-	-	6,358	-	-	16,189	-	93,189	-
B O'Connor*	262,901	-	69,525	15,199	-	5,908	46,009	-	399,542	17.40
R Morgan	39,000	-	-	-	-	-	14,498	-	53,498	-
M Wooldridge	35,780	-	-	3,220	-	-	14,498	-	53,498	-
D Simpson	251	-	-	49,999	-	-	14,498	-	64,748	-
R van den Broek	33,475	-	-	-	-	-	3,384	-	36,859	-

Key Management

P Maruff	234,427	23,347	44,119	15,199	-	6,136	37,336	-	360,563	12.24
J Harrison	147,955	-	-	-	-	-	31,875	-	179,830	-
S Egholm	170,126	-	33,034	6,552	-	-	36,434	-	246,146	13.42
D Darby **	225,539	-	-	20,599	-	4,180	20,696	127,984	398,998	-
Total	1,220,095	23,347	146,678	117,126	-	16,224	235,417	127,984	1,886,871	

Table 2: Directors' & Key Management remuneration for the year ended 30 June 2010

Short-term			Post Employment		Long Term Benefit	Share based payment		Total	% of remuneration that is performance related
Salary & Fees \$	Non Monetary \$	Cash Bonus \$	Super'n \$	Retire-ment Benefits \$	Long service leave \$	Options \$	Termin-ation benefits	\$	%

Directors

M Myer	70,642	-	-	6,358	-	-	12,806	-	89,806	-
B O'Connor*	253,126	2,413	81,000	14,461	-	30,916	51,553	-	433,469	18.69
R Morgan	39,000	-	-	-	-	-	12,806	-	51,806	-
M Wooldridge	35,780	-	-	3,220	-	-	12,806	-	51,806	-
D Simpson	-	-	-	39,000	-	-	12,806	-	51,806	-

Key Management

P Maruff	229,006	23,346	40,000	14,461	-	42,781	42,165	-	391,760	10.21
J Harrison	178,494	-	25,297	-	-	-	43,763	-	247,554	10.22
S Egholm	198,843	-	29,195	6,552	-	-	34,323	-	268,913	10.86
D Darby **	225,539	-	-	14,461	-	44,685	27,472	-	312,157	-
Total	1,230,430	25,759	175,492	98,514	-	118,382	250,499	-	1,899,076	

*The percentage of performance related payment reflects those share based payments that have performance criteria attached.

** David Darby resigned from the company on 1 July 2011.

Remuneration Options: Granted and Vested During the Year

During the financial year, options were granted as equity compensation benefits to certain key management personnel as disclosed in table 3. The options were issued for nil consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the company at the specified exercise price. One third of the options may be exercised after one year. The remaining two thirds can be exercised after the following two years. The expiry date is at the discretion of the board and may vary, historically options expire after ten years, however since June 2009 options issued expire after five years.

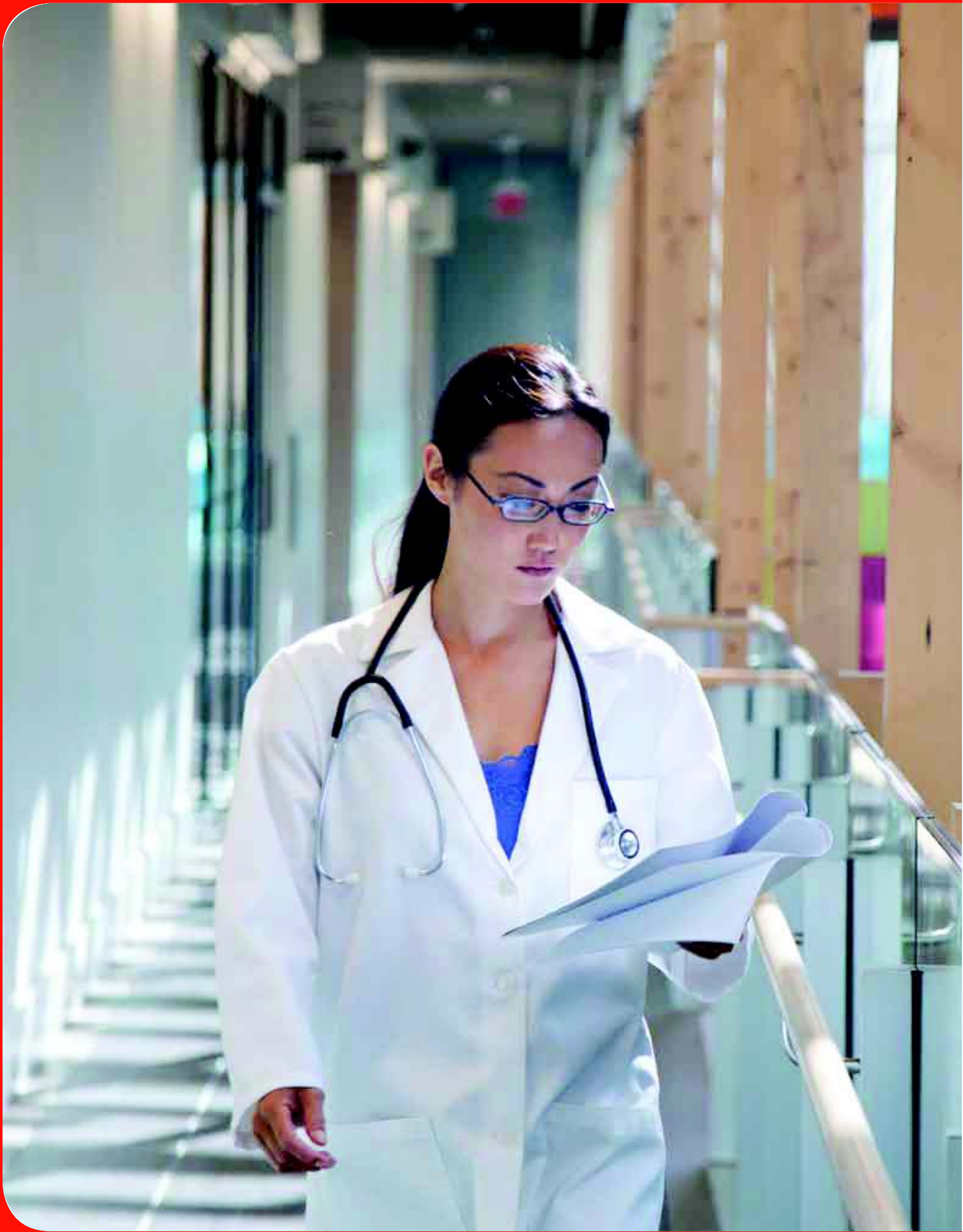
Options are calculated at fair value using a binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

For further details relating to the options, refer to note 26.

Table 3 Terms and Conditions for each grant and Options granted and exercised as part of remuneration for the year ended 30 June 2011

	Vested no.	Granted Number	Grant date	Fair value per option grant date	Exercise price per share \$	Final Vesting Date
Directors						
Martyn Myer	-	100,000	26-Oct-10	\$0.1500	\$0.2500	26-Oct-13
Richard Morgan	-	50,000	26-Oct-10	\$0.1500	\$0.2500	26-Oct-13
Michael Wooldridge	-	50,000	26-Oct-10	\$0.1500	\$0.2500	26-Oct-13
Brad O'Connor	-	150,000	26-Oct-10	\$0.1500	\$0.2500	26-Oct-13
David Simpson	-	50,000	26-Oct-10	\$0.1500	\$0.2500	26-Oct-13
Richard van den Broek	-	100,000	26-Oct-10	\$0.1500	\$0.2500	26-Oct-13
Total		500,000				

First Exercise Date	Last Exercise Date	Value of Options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$
26-Oct-11	26-Oct-15	15,000	-	112,289
26-Oct-11	26-Oct-15	7,500	-	28,000
26-Oct-11	26-Oct-15	7,500	-	28,000
26-Oct-11	26-Oct-15	22,500	-	-
26-Oct-11	26-Oct-15	7,500	-	28,000
26-Oct-11	26-Oct-15	15,000	-	-



Corporate Governance Statement

The Board of Directors of CogState Limited is responsible for the corporate governance framework of the Group having regard to the ASX Corporate Governance Council published guidelines as well as its corporate governance principles and recommendations (Recommendations). The Board guides and monitors the business and affairs of CogState Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Recommendations.

Recommendation	Comply Yes/No	Reference/ Explanation
Principle 1 - Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 45
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 46
1.3 Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	Website; Annual Report
Principle 2 - Structure the board to add value		
2.1 A majority of the board should be independent directors.	Yes	Page 46
2.2 The chair should be an independent director.	No	Page 46
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 496
2.4 The board should establish a Nomination committee.	Yes	Page 45
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 46
2.6 Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	Website; Annual Report
Principle 3 - Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes	Internal Employee Handbook
• The practices necessary to maintain confidence in the company's integrity.	Yes	Internal Employee Handbook
• The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	Yes	Internal Employee Handbook
• The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Internal Employee Handbook
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Page 47
3.3 Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes	Website
Principle 4 - Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	Yes	Page 47
4.2 The audit committee should be structured so that it:		
• Consists only of Non-executive directors	Yes	Page 47
• Consists of a majority of independent directors	Yes	Page 47
• Is chaired by an independent chair, who is not chair of the board	No	Page 47

Recommendation	Comply Yes/No	Reference/ Explanation
• Has at least three members	Yes	Page 47
4.3 The audit committee should have a formal charter.	Yes	Page 47
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website; Annual Report

Principle 5 - Make timely and balanced disclosure

5.1 Companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	No	ASX listing rules are complied with and management are currently in the process of formally documenting the policy. Senior executives are aware of, and periodically reminded of, their accountability for compliance. Given the relatively small size of the organisation, this is regarded as a reasonable approach.
5.2 Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes	Website

Principle 6 - Respect the rights of shareholders

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Continuous disclosure and regular business updates provided to the market
6.2 Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes	Website

Principle 7 - Recognise and manage risk

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Page 48
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	Yes	Page 48
7.3 The board should disclose whether it has received assurance from the chief executive officer [or equivalent] and the chief financial officer [or equivalent] that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 48
7.4 Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	Website; Annual Report

Principle 8 – Remunerate Fairly and responsibly

8.1 The board should establish a remuneration committee.	Yes	Page 45, 48
8.2 Companies should clearly distinguish the structure of Non executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 34
8.3 Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	Website; Annual Report

CogState's corporate governance practices were in place throughout the year ended 30 June 2011.

Board Functions

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:

- Audit and Compliance
- Remuneration and Nomination.

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of CogState Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, Richard Morgan (non-executive director), Michael Wooldridge (non-executive director), David Simpson (non-executive director) and Richard van den Broek (non-executive director) are considered to be independent.

Martyn Myer (non-executive Chairman) is not considered to be an independent director due to the substantial CogState Limited shareholding controlled by him.

The Recommendations suggest that the Chairperson should be an independent director. Despite his substantial shareholding in CogState Limited, the Board views Mr Myer as the best person to fulfil this role and discharge the associated duties at this stage of the company's development, notwithstanding his position as a substantial shareholder. Mr Myer brings to the Board extensive experience gained as a director of developing technology oriented companies and both large and small public companies.

The Recommendations suggest that a majority of the Board of Directors should be independent. As described above, four of the five CogState directors, comprising a majority of the Board, are independent. It is considered that the nature and size of CogState operations, along with the ability of the company to fund additional director fees, precludes the company from appointing additional directors with the necessary expertise at this time in the company's development.

CogState Limited has the ability to draw on an excellent range of skills and experiences from the diverse backgrounds of its existing Board.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
M Myer	11 years 8 months
B O'Connor	5 years 9 months
R Morgan	8 years 1 month
M Wooldridge	7 years 3 months
D Simpson	7 years
R van den Broek	10 months

On 30 June 2011, Mr Richard Morgan and Dr Michael Wooldridge tendered their resignation to the Board.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative factors. The performance criteria against which directors and executives are assessed and aligned with the financial and non-financial objectives of CogState Limited. Assessment of key executives' performance is based on agreed and documented factors and is performed formally on an annual basis. Assessment of the performance of the Board, its Committees and individual directors is performed by the Board on an ongoing basis.

During the reporting period:

- the Nomination Committee conducted a performance evaluation of the Chief Executive's performance against specific and measurable qualitative and quantitative performance criteria. This evaluation was in accordance with the process disclosed above;
- the Chief Executive Officer conducted performance appraisals of other key executives' performances against specific and measurable qualitative and quantitative performance criteria and this review was overseen by the Nomination Committee. This evaluation was in accordance with the process disclosed above;
- the Board conducted ongoing review of its performance and that of its Committees and individual directors against criteria relevant to the interests of the Company and its stakeholders, including assessment of its performance against best practice. This evaluation was in accordance with the process disclosed above.

Directors whose performance is consistently unsatisfactory may be asked to retire.

Trading Policy

Under the Company's Securities Trading Policy, an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities.

Executives and Directors are notified in writing by the Company Secretary of times when it is appropriate to trade in securities of the Company. There is no trading in the securities of the Company by Executives or Directors outside of this prescribed time.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

Diversity policy

The Company will, during the next reporting period, establish and implement a diversity policy which will include, but not be limited to, gender, age, ethnicity and cultural background of the Board and Key Management Personnel. The Company will set measurable objects to measure the achievement of the diversity policy, and introduce procedures to ensure its proper implementation. An internal review will be conducted annually to assess the effective of the policy and its implementation procedures.

Audit & Compliance Committee

The Board has established an Audit and Compliance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the company to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The members of the Audit Committee during the year were:

M Myer	M Wooldridge
R Morgan	R van den Broek
D Simpson	

Four of the five directors detailed above (R Morgan, M Wooldridge, D Simpson and R van den Broek) are independent directors; therefore the majority of the audit committee comprises independent directors.

The company had appointed Anthony Lewis as a permanent adviser to the Audit Committee. Mr Lewis is a former partner at Arthur Andersen. He holds a Bachelor of Economics and is a Fellow of the Institute of Chartered Accountants, a member of the Australian Institute of Company Directors and a member of the Australian Society of Certified Practising Accountants. During the year, Anthony Lewis tendered his resignation as a permanent adviser, effective 30 June 2011.

The Recommendations suggest that the company should structure the audit committee with an independent chairperson, who is not the chairperson of the Board. Mr M Myer, the chairperson of the Audit Committee, is not considered to be an independent director due to the substantial CogState Limited shareholding that he holds and he is also the Chairman of the Board. However the Board views Mr Myer as the best person to fulfil this role due to his extensive experience gained as a director of developing technology oriented companies and both large and small public companies.

For details of the qualifications of those appointed to the audit committee, and their attendances at meetings of the committee, refer to the Directors' Report.

Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and Nomination Committee links the nature and amount of directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company
- Performance incentives which allow the executives to share the rewards of the success of CogState Limited.

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all directors, refer to the Directors' Report. Bonus and long term incentive payments have been made

to key management personnel during the year. In relation to the grant of options, discretion is exercised by the Board, having regard to the overall performance of CogState Limited and the desire to motivate the individual.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established the Remuneration and Nomination Committee to make recommendations to the Board. The Remuneration and Nomination Committee comprises five non-executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

M Myer
R Morgan
D Simpson
M Wooldridge
R van den Broek

For details on the number of meetings of the remuneration committee held during the year and the attendances at those meetings, refer to the Directors' Report.

Risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing

appropriate risk management policies and internal controls;

- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations;
- preparation of reliable published financial information.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Audit Committee. Management is required by the Board to assess risk management and

associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management by benchmarking the Company's performance to the Australia/New Zealand Standard on Risk Management.

Management reports to the audit committee at each audit committee meeting on the status of the company's risk management arrangements, including whether material business risks are being managed effectively. The audit committee keeps the Board apprised as to these matters.

Chief Executive Officer and Finance Manager Certification

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Finance Manager have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Statement Of Financial Position As At 30 June 2011

		Consolidated	
	Note	2011 \$	2010 \$
ASSETS - Current Assets			
Cash and cash equivalents	11	3,306,562	3,092,437
Trade and other receivables	12	1,202,760	1,623,471
Other current assets	13	381,264	270,639
Derivative financial instruments	19	28,866	-
Total Current Assets		4,919,452	4,986,546
Non-current Assets			
Plant and equipment	15	905,040	1,235,907
Intangible assets	16	401,584	401,584
Investment in joint ventures	14	115,536	562,719
Deferred tax assets	9	1,516,595	1,457,530
Total Non-current Assets		2,938,755	3,657,740
Total Assets		7,858,207	8,644,286
LIABILITIES - Current Liabilities			
Trade payables	17	82,667	155,777
Other payables	17	944,903	975,680
Derivative financial instruments	19	-	27,152
Provisions	18	492,348	405,923
Deferred tax liabilities	9	10,465	20,790
Total Current Liabilities		1,530,383	1,585,322
Non-current Liabilities			
Provisions	18	24,693	38,007
Total Non-current Liabilities		24,693	38,007
Total Liabilities		1,555,076	1,623,329
Net Assets		6,303,131	7,020,957
EQUITY			
Contributed equity	20	14,333,818	14,303,130
Accumulated losses	21	(9,405,280)	(8,559,074)
Foreign Currency Translation Reserve	21	(73,212)	-
Share Option Reserve	21	1,447,805	1,276,901
Total Equity		6,303,131	7,020,957

This Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2011 \$	2010 \$
Operations			
Sale of services	6	8,133,258	9,484,958
Finance revenue	6	114,802	101,389
Revenue		8,248,060	9,586,347
 Cost of sales	8(a)	(3,753,030)	(3,878,962)
Gross profit		4,495,030	5,707,385
 Other income	7	-	170,225
Fair value gain on derivative	7	56,018	-
Employee benefits expense	8(e)	(2,665,767)	(2,803,330)
Depreciation and amortisation expense	8(c)	(53,308)	(39,173)
Occupancy expenses	8(d)	(279,773)	(216,074)
Marketing expenses		(135,745)	(140,928)
Accounting and auditing expenses		(225,702)	(183,092)
General Administration		(644,237)	(766,886)
Legal expenses		(40,558)	(86,640)
Travel expenses		(404,872)	(606,577)
Third party research and development expenses		(19,993)	(61,274)
Sales commissions		(2,144)	(130,999)
Net foreign exchange gain/(loss)		(203,272)	(79,345)
Finance costs - Fair value loss on derivative	8(b)	(33,706)	(57,751)
Other expenses	8(f)	(8,490)	-
Contract termination fees	8(g)	(126,240)	(303,854)
		(292,759)	401,687
Share of profit / (loss) in joint venture		(625,642)	(21,793)
Profit/(loss) before income tax		(918,401)	379,894
Income tax (expense)/benefit	9	72,195	1,257,721
Profit/(loss) after income tax		(846,206)	1,637,615
Net profit/(loss) for the year		(846,206)	1,637,615
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		(73,212)	-
Other comprehensive income/(loss) for the year		(73,212)	-
Total comprehensive income/(loss) for the period		(919,418)	1,637,615
Earnings per share (cents per share)			
- basic for profit from operations attributable to ordinary equity holders	10	(1.27)	2.48
- diluted for profit from operations attributable to ordinary equity holders		(1.27)	2.36

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated				
	Issued Capital \$	Retained earnings \$	Share option reserve \$	Foreign Currency Translation Reserve \$	Total \$
As at 1 July 2009	14,197,010	(10,196,689)	935,857	-	4,936,178
Profit / (loss) for the period	-	1,637,615	-	-	1,637,615
Total comprehensive income	-	1,637,615	-	-	1,637,615
Transactions with owners in their capacity as owners					
Exercise of options	106,120	-	-	-	106,120
Cost of share-based payment	-	-	341,044	-	341,044
As at 30 June 2010	14,303,130	(8,559,074)	1,276,901	-	7,020,957
As at 1 July 2010	14,303,130	(8,559,074)	1,276,901	-	7,020,957
Profit / (loss) for the period	-	(846,206)	-	-	(846,206)
Exchange differences on translation of foreign operations	-	-	-	(73,212)	(73,212)
Total comprehensive income	14,303,130	(9,405,280)	1,276,901	(73,212)	6,101,539
Transactions with owners in their capacity as owners					
Exercise of options	30,688	-	-	-	30,688
Cost of share-based payment	-	-	170,904	-	170,904
As at 30 June 2011	14,333,818	(9,405,280)	1,447,805	(73,212)	6,303,131

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		8,044,931	10,158,721
Payments to suppliers and employees		(7,534,743)	(8,910,781)
Receipts from government grants		-	160,907
Net cash flows used in operating activities	23	510,188	1,408,847
Cash flows from investing activities			
Interest received		112,515	82,991
Purchase of property, plant & equipment		(103,431)	(933,062)
Proceeds from disposal of property, plant & equipment		2,553	18,133
Investment in Axon Sports LLC		(251,671)	(562,719)
Net cash flows used in investing activities		(240,034)	(1,394,657)
Cash flows from financing activities			
Proceeds from issue of shares		30,688	106,120
Net cash flows from financing activities		30,688	106,120
Net Increase in cash and cash equivalents		300,842	120,310
Net foreign exchange differences		(86,716)	(58,269)
Cash and cash equivalents at beginning of period		3,092,437	3,030,395
Cash and cash equivalents at end of period	11	3,306,562	3,092,437

This Statement of cash flows should be read in conjunction with the accompanying notes.



Notes To The Financial Statements

1. CORPORATE INFORMATION

The financial report of CogState Limited (the company) for the year end 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 23rd August 2011.

CogState Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian securities exchange (ASX: CGS).

The nature of the operations and principal activities of the Group are described in the Directors' Report.

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2. Summary Of Significant Accounting Policies

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value. The financial report is presented in Australian dollars.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements effective 1 July 2010
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions effective 1 July 2010
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues effective 1 July 2010
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2010
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010

(ii) Accounting Standards and Interpretations issued but not yet effective. AASB 101.16

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2011, outlined in the table below:

Ref	Title	Summary	App date of standard*	Impact on Group financial report	App date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	Management anticipate that this will have minimal impact on the group financial report	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	Management anticipate that this will have minimal impact on the group financial report	1 July 2011

Ref	Title	Summary	App. date of standard*	Impact on Group financial report	App. date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	Management anticipate that this will have minimal impact on the group financial report	1 July 2013

Ref	Title	Summary	App. date of standard*	Impact on Group financial report	App. date for Group*
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	Management anticipate that this will have no impact on the group financial report	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	Management anticipate that this will have minimal impact on the group financial report	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	Management anticipate that this will have minimal impact on the group financial report	1 July 2011

Ref	Title	Summary	App. date of standard*	Impact on Group financial report	App. date for Group*
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets[AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	Management anticipate that this will have minimal impact on the group financial report	1 July 2011
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	Management anticipate that this will have no impact on the group financial report	1 July 2011

Ref	Title	Summary	App. date of standard*	Impact on Group financial report	App. date for Group*
****	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	Management anticipate that this will have minimal impact on the group financial report	1 July 2013
****	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	Management anticipate that this will have no impact on the group financial report	1 July 2013
****	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	Management anticipate that this will have no impact on the group financial report	1 July 2013
****	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	Management anticipate that this will have no impact on the group financial report	1 July 2013

*Application date is for the annual reporting periods beginning on or after the date shown in the above table



(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of CogState Limited and its subsidiaries (as outlined in note 24) as at and for the period ended 30 June each year (the Group). The interest in Axon Sports LLC is equity accounted and is not part of the consolidated Group (see note 2(i) below).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

(d) Operating segments - refer note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the executive management team.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Fair value gain/loss on derivative
- Interest revenue
- Finance costs
- Contract termination fees
- Foreign exchange gain/loss
- Profit/loss on disposal of assets

Consistent with the requirements of AASB8, as the Chief Operating Decision Maker does not receive information regarding segment assets, no disclosure of segment assets has been provided.

(e) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of CogState Limited and its subsidiaries are Australian dollars (\$). The functional currency of the Axon Sports LLC joint venture is United States dollars (\$). The presentation currency of the Axon Sports LLC joint venture is Australian dollars (\$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date.

All exchange differences in the consolidated financial report are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(f) Cash and cash equivalents – refer note 11

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits.

For the purposes of the Statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, as well as short term deposits .

Short term deposits have a maturity term of up to six months.

Short term deposits are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(g) Trade and other receivables - refer note 12

Trade receivables which generally have a 30-90 day term are recognised initially at fair value and subsequently measured at amortised cost using the

effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(h) Derivative financial instruments and hedging - refer note 19

During the 2010 financial year the Group commenced using forward currency contracts to mitigate its risks associated with foreign denominated trade receivables. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives, are taken directly to profit or loss for the year.

(i) Interest in joint venture – refer note 14

The Group has a 50% interest in Axon Sports LLC and the Group's interest in this joint venture is accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, interest in joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net interest in joint venture.

The Group's share of ' post-acquisition profits or losses are recognised in the profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the interest.

The reporting dates of the joint venture and the Group are identical and the joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(j) Property, plant and equipment – refer note 15

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Office equipment – over 3 to 15 years

Computer Equipment – over 2 to 5 years

The assets' residual values, useful lives and

amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(k) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the profit or loss as an integral part of the total lease expense.

(l) Impairment of non financial assets other than goodwill – refer note 16

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

CogState conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) Intangible assets – refer note 16

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets include acquired intellectual property rights over key business technologies and processes. These intangible assets have been determined to have indefinite useful lives and the cost model is utilised for their measurement. These technologies form the basis of the CogState business and this fact has allowed the Group to determine that these assets have an indefinite useful life.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

(n) Trade and other payables – refer note 17

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group

becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions and employee leave benefits - refer note 18

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(p) Share-based payment transactions - refer note 25

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of equity-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- The Non-Executive Director Share Option Plan (ESOP), which provides benefits to directors.
- The Employee Share Option Plan (ESOP), which provides benefits senior executives and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in note 26.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of CogState Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of nonmarket performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total

fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 10).

(q) Contributed equity – refer note 20

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition – refer note 6

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of tests

Revenue is recognised when the significant risks and rewards of ownership of the test credits have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the test credits to the customer.

(ii) Rendering of services

Revenue from the provision of cognitive testing services is recognised by reference to the stage of completion of a contract.

Stage of completion is measured by reference to key milestones set out in each contractual agreement and the costs incurred to date for each contract.

When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating

the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(s) Income tax and other taxes

– refer note 9

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority,

are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Government grants – refer note 7

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

(u) Earnings per share – refer note 10

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. During the year the Group entered into forward currency contracts to mitigate currency risks arising from the Group's foreign debtors collections. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Foreign currency risk

As a result of the majority of the customer base being domiciled in the United States and Europe, the Group's financial assets can be affected by movements in the US\$/A\$ and GBP/A\$ exchange rates. Previously the Group did not seek to hedge this exposure specifically, but sought to partially mitigate the effect of its foreign currency exposure by using US\$ as its transaction currency with overseas customers. Trade receivables are received in US\$ into a US\$ denominated bank account, these monies are then used to fund the US operations. Historically management has assessed any remaining foreign currency risk from Australian operations to be not material enough to justify the expense of formal hedging however in May 2010 and June 2011 management entered into forward currency contracts to help mitigate exposure.

Approximately 99% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 75% of costs are denominated in the Group's functional currency.

At 30 June 2011, the Group had (in AUD) the following exposure to foreign currency;

	Consolidated	
	2011 \$	2010 \$
Financial Assets		
Cash and cash equivalents	1,066,322	453,569
Trade receivables	1,108,154	1,402,894
Financial Liabilities		
Payables & Accruals	(400,419)	(328,864)
Net exposure	1,774,058	1,527,599

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant and based on a base rate of \$A1.00 = \$US1.05951, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 \$	2010 \$	2011 \$	2010 \$
Consolidated				
AUD:USD +10%	(160,212)	(152,805)	(160,212)	(152,805)
AUD:USD - 10%	198,420	185,072	198,420	185,072

The movements in profit in 2011 are less sensitive than in 2010 due to a lower amount of trade receivable balances held in USD.

Management believes that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

Credit risk arises from the financial assets of the Group, which comprises cash, short term deposits, and trade receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity Risk

The Group's exposure to liquidity risk is minimal. CogState Ltd's only significant financial liabilities are trade payables.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2011 \$	2010 \$
3 months or less	1,038,518	1,131,783
3-12 months	456,041	22,273
1-5 years	-	4,551
Over 5 years	-	-
	1,494,559	1,158,607

CogState has unused limits/facilities with the National Australia Bank and Citibank. At balance date, the Group has available approximately \$81,117 of unused credit facilities available for its immediate use (2010: \$99,282).

Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's cash on hand and short term deposits which are subject to varying interest rates.

At balance date the Group had the following mix of financial assets exposed to Australian variable interest rate risk

	Consolidated	
	2011 \$	2010 \$
Financial Assets		
Cash at bank and in hand	1,577,093	664,218
Short-term deposits	1,729,469	2,428,219
Net exposure	3,306,562	3,092,437

If interest rates were to increase/decrease by 1%/(0.5%) from rates used to determine fair values as at 30 June 2011, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 \$	2010 \$	2011 \$	2010 \$
Consolidated				
Increase 1%	33,066	30,924	33,066	30,924
Decrease 0.5%	(16,533)	(15,462)	(16,533)	(15,462)

4. Significant Accounting Judgements, Estimates And Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting estimates and assumptions

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recognised during the current year. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 16.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, with the assumptions detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave provision

As discussed in note 2(l), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 8.

5. Operating Segments

Identification of reportable segments

The consolidated entity has two reportable segments as described below:

The Group has identified its operating segment based on the internal reports that are reviewed and used by the executive management team (deemed the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided (i.e. cognitive testing and Axon Sport joint venture). Discrete financial information is reported to the executive management team on at least a monthly basis.

The reportable segments are determined by the services provided (i.e. cognitive testing and Axon Sports joint venture), as these are the source of the Group's major risks and have the most effect on the rates of return.

Types of services

CogState's first operating segment is cognitive testing in clinical trials. In this market, CogState's technology and associated services are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials primarily conducted by pharmaceutical, and biotechnology companies.

The other operating segment is the Axon Sports joint venture. In this market, the technology and associated services are used to provide concussion management tools in sport.

Other markets CogState is involved in include work safety and research projects, however, none of these markets are currently significant to CogState's results and are not reported as separate operating segments.

Although cognitive testing is conducted in different geographic regions, none have been determined as operating or reporting segments as often the geographic

source of the revenue can differ to the geographic source of the costs for the same project. Therefore management currently review internal reports based on worldwide revenue and results.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Fair value gain/loss on derivative
- Interest revenue
- Finance costs
- Contract termination fees
- Foreign exchange gain/loss
- Profit/loss on disposal of assets

The following table's present revenue and profit information regarding the segments of cognitive testing and Sport for the years ended 30 June 2011 and 30 June 2010.

	Cognitive Testing \$	Axon Sport \$	Unallocated items \$	Total \$
Year ended 30 June 2011 - Revenue				
Sales to external customers	8,133,258	-	-	8,133,258
Other revenue	-	-	-	-
Total segment revenue	8,133,258			8,133,258
Interest revenue	-	-	114,802	114,802
Total revenue per statement of comprehensive income				8,248,060

Operating profit	(91,871)	-	114,802	22,931
Non-operating termination fees	-	-	(126,240)	(126,240)
Foreign exchange gain/(loss) realised and unrealised	-	-	(203,272)	(203,272)
Profit on disposal of assets	-	-	(8,490)	(8,490)
Fair value gain/(loss) on derivative	-	-	56,018	56,018
Share of loss in JV	-	(625,642)	-	(625,642)
Finance costs	-	-	(33,706)	(33,706)
Segment result	(91,871)	(625,642)	(274,100)	(918,401)
Profit/(loss) before tax per statement of comprehensive income				(918,401)

	Cognitive Testing \$	Axon Sport \$	Unallocated items \$	Total \$
Year ended 30 June 2010* - Revenue				
Sales to external customers	9,484,958	-	-	9,484,958
Other revenue	-	-	160,907	160,907
Total segment revenue	9,484,958	-	-	9,484,958
Fair value gain on derivatives	-	-	-	-
Interest revenue	-	-	101,389	101,389
Total revenue per statement of comprehensive income				9,586,347

Operating profit	571,023	-	262,296	833,319
Non-operating termination fees	-	-	(303,854)	(303,854)
Foreign exchange gain/(loss) realised and unrealised	-	-	(79,345)	(79,345)
Profit on disposal of assets	-	-	9,318	9,318
Fair value loss on derivatives	-	-	(27,152)	(27,152)
Share of loss in JV	-	(21,793)	-	(21,793)
Finance costs	-	-	(30,599)	(30,599)
Segment result	571,023	(21,793)	(169,336)	379,894
Profit/(loss) before tax per statement of comprehensive income				379,894

* This has been restated to be consistent with the current year disclosure of business segments.

6. Revenue

	Consolidated	
	2011 \$	2010 \$
Revenue		
Sale of services	7,939,218	9,264,313
Sale of tests	194,040	220,645
Total Sales revenue	8,133,258	9,484,958
Interest income	114,802	101,389
	8,248,060	9,586,347

7. Other Income

	Consolidated	
	2011 \$	2010 \$
Other income		
Government grants	-	160,907
Profit on disposal of assets	-	9,318
Fair value gain on derivative	56,018	-
	56,018	170,225

Government grants have been received for assistance in marketing the product to export markets. There are no unfulfilled conditions and contingencies attaching to these grants.

8. Expenses

		Consolidated	
		2011 \$	2010 \$
(a)	Cost of Sales		
	Direct project costs	(357,715)	(700,917)
	Direct employment expenses - salary & wages	(2,226,426)	(1,958,887)
	Direct bonuses	(103,141)	(101,752)
	Direct defined contributions plan expense	(103,660)	(86,730)
	Direct contractors	(82,137)	(81,175)
	Direct depreciation	(369,946)	(393,704)
	Direct travel	(12,335)	(232,632)
	Direct freight	(171,045)	(185,441)
	Direct expenses – other pass through costs	(326,626)	(137,724)
		(3,753,030)	(3,878,962)
(b)	Finance costs		
	Finance charges paid on banking facilities	(22,643)	(24,637)
	Interest Expense	(11,063)	(5,962)
	Fair value loss on derivative	-	(27,152)
		(33,706)	(57,751)
(c)	Depreciation and amortisation included in profit or loss		
	Direct depreciation expense included in Cost of Sales		
	Direct depreciation	(369,946)	(393,704)
	Other indirect depreciation expenses	-	-
	Depreciation and amortisation expense	(53,308)	(39,173)
	Total depreciation and amortisation expenses	(423,254)	(432,877)
(d)	Rental outgoing and relocation expenses		
	Minimum Lease payments	(242,979)	(164,518)
	Outgoings	(36,794)	(51,556)
		(279,773)	(216,074)

		Consolidated	
		2011 \$	2010 \$
(e)	Employee benefits expense		
	Employment expenses included in Cost of Sales		
	Direct wages & salaries	(2,226,426)	(1,958,887)
	Other direct wages expenses	(288,937)	(269,657)
		(2,515,363)	(2,228,544)
	Other indirect employment expenses		
	Wages and Salaries	(2,293,802)	(2,211,720)
	Other indirect wages expenses	(201,061)	(250,566)
	Share based payment expense	(170,904)	(341,044)
		(2,665,767)	(2,803,330)
	Total employee benefits expense	(5,181,131)	(5,031,874)
(f)	Other expenses		
	Net loss on disposal of fixed assets	(8,490)	-
(g)	Non-operating item - Contract termination fees		
	Contract termination fees	(126,240)	(303,854)

These fees were incurred as a consequence of the termination of an outsourced project management contract and were payable by CogState to a supplier of contract management services. These fees were incurred outside of the normal operating activities of the Company.

Further contract termination fees arising from this matter are expected to be payable from future contracted revenues. The presently estimated amounts of these payments are

Year ending 30 June 2012: \$30,000

Refer Note 27(c) for further details.

9. Income Tax

The major components of the income tax expense/(benefit) are:

		Consolidated	
		2011 \$	2010 \$
(a)	Income tax expense		
	Current income tax		
	Current income tax charge	-	83,998
	Income tax payable/(recoverable) for prior year	(1,682)	(6,839)
	Deferred Income tax		
	Relating to origination and reversal of temporary differences	(70,513)	(33,361)
	Relating to the recognition of tax losses	-	(1,301,519)
	Income tax expense/(benefit) reported in the statement of comprehensive income	(72,195)	(1,257,721)
(b)	Amounts charged or credited directly to equity		
	Deferred income tax related to items charged or credited directly to equity		
	Income tax expense/(benefit) reported in equity	-	-
(c)	Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
	A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
	Accounting profit/(loss) before tax	(918,401)	379,894
	At the parent entity's statutory income tax rate of 30% (2010 - 30%)	(275,520)	113,968
	Income tax payable/(recoverable) for prior year	(1,682)	(6,839)
	Expenditure not deductible for income tax purposes	40,677	89,660
	Tax losses (recognised)/unrecognised	251,703	(1,440,568)
	Recognition of net deferred tax asset/liability	(70,513)	(33,361)
	Foreign tax rate adjustment and other translation adjustments	(16,860)	19,419
	Income tax expense/(benefit) reported in the statement of comprehensive Income	(72,195)	(1,257,721)

	Statement of financial position		Statement of comprehensive income	
	2011 \$	2010 \$	2011 \$	2010 \$

(d) Recognised deferred tax assets and liabilities - Deferred income tax at 30 June relates to the following:

Deferred tax liabilities				
Accrued interest income	(10,528)	(8,310)	(2,818)	(3,919)
Unrealised foreign exchange gain	63	(12,480)	12,542	(11,538)
	(10,465)	(20,790)		

Deferred tax assets				
Unrealised foreign exchange loss	20,657	-	20,657	(10,373)
Provision for doubtful debts	-	162	(162)	(1,161)
Employment benefits	155,113	133,172	21,941	44,096
Accrued interest expense	-	1,106	(1,106)	1,106
Accrued expenses	39,306	21,571	17,735	14,585
Less unrecognised deferred tax asset	-	-	-	-
Unused tax losses	1,301,519	1,301,519	-	1,301,519
Foreign exchange movement on opening deferred tax balances	-	-	1,124	565
Deferred tax income/(expense)	1,516,595	1,457,530	70,513	1,334,880

(e) Benefit of income tax losses not brought to account

	Consolidated	
	2011 \$	2010 \$
Unused tax losses for which no deferred tax asset has been recognised	1,919,449	1,214,961
Potential asset calculated at 30% - Australian losses	505,101	364,488
Potential asset calculated at 35% - US losses	199,387	-

The benefit will only be obtained if:

- The company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
Based on the profitable second half of financial year 2011 and our knowledge of future events including contracted and forecast sales this supports our view of sufficient future taxable profits being available to offset our unused tax losses.
- The company continues to comply with the conditions for deductibility imposed by law; and
- No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

10. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2011 \$	2010 \$
Net profit/(loss) attributable to ordinary equity holders	(846,206)	1,637,615

	2011 Number	2010 Number
Weighted average number of ordinary shares for basic earnings per share	66,532,904	65,938,466
Effect of Dilution	-	3,440,508
Weighted average number of ordinary shares adjusted for the effect of dilution	66,532,904	69,378,974

11. Current Assets - Cash And Cash Equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates and certificates of deposit used to secure the Group's credit card facilities and other deposits with a maturity of greater than three months. Despite their maturity term these deposits are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The fair value of cash, cash equivalents and short term deposits is \$3,306,562 (2010: \$3,092,436).

	Consolidated	
	2011 \$	2010 \$
Cash at bank and in hand	1,577,093	664,218
Short-term deposits	1,729,469	2,428,219
Total cash and short term deposits	3,306,562	3,092,437

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash flows, cash, cash equivalents and short term deposits comprise the following at 30 June:		
Cash at bank and in hand	1,577,093	664,218
Short-term deposits	1,729,469	2,428,219
	3,306,562	3,092,437

12. Current Assets - Trade And Other Receivables

	Consolidated	
	2011 \$	2010 \$
Trade receivables	1,202,760	1,624,012
Allowance for impairment loss (a)	-	(541)
	1,202,760	1,623,471

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss (2010: \$541) has been recognised by the consolidated group in the current year.

Movements in the provision for impairment loss were as follows:

	Consolidated	
	2011 \$	2010 \$
At 1 July	(541)	(4,410)
Charge for the year	-	(541)
Amounts recovered (provision written back)	541	4,410
At 30 June	-	(541)

At 30 June 2011 the aging analysis of trade receivables is as follows:

		0-30 days	31-60 days	61-90 days	61-90 days	+90 days	+90 days
				PDNI*	CI+	PDNI*	CI+
2011	Consolidated	1,121,678	57,227	23,855	-	-	-
2010	Consolidated	1,614,427	8,464	-	-	440	541

*Past due not impaired (PDNI)

+Considered impaired (CI)

Receivables past due but not considered impaired are: Consolidated \$nil (2010: \$440). Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

13. Current Assets – Other Current Assets

	Consolidated	
	2011 \$	2010 \$
Accrued income	71,167	157,466
Prepayments	41,251	59,350
Deposits paid	7,342	35,942
GST receivable	4,672	10,196
Income tax receivable	73,367	2,410
Deferred expenses	183,465	5,274
Total other assets	381,264	270,639

14. Non Current Assets - Investment In Joint Ventures

In May 2010 CogState formed a joint venture company Axon Sports LLC in partnership with Quixote Investments LLC, a Portland Oregon based investment group.

	Consolidated	
	2011 \$	2010 \$
(a) Investment details		
Unlisted		
Axon Sports LLC	115,536	562,719
(b) Movement in carrying amount of the Group's investment in Axon Sports LLC		
At 1 July	562,719	
Initial investment in Axon Sports LLC	-	584,512
Additional investment in Axon Sports LLC	251,671	-
Share of losses	(625,642)	(21,793)
FX movements in valuation	(73,212)	-
	115,536	562,719
(c) Summarised financial information		
Extract from Axon Sports LLC's statement of financial position		
Current assets	292,480	1,158,726
Non-current assets	74,132	17,256
	366,612	1,175,982
Current liabilities	(85,116)	(51,055)
Non-current liabilities	(50,424)	-
	(135,540)	(51,055)
Net assets	231,072	1,124,927
Share of Axon Sports LLC net assets	115,536	562,463
Extract from Axon Sports LLC's statement of comprehensive income		
Revenue	147,414	-
Expenses	(1,398,698)	(43,586)
Comprehensive income	(1,251,284)	(43,586)

There are no contingent liabilities relating to Axon Sports LLC.

15. Non Current Assets - Property, Plant And Equipment

	Consolidated
	\$
Office Furniture and Equipment - Year ended 30 June 2011	
At 1 July 2010, net of accumulated depreciation	1,235,907
Additions	103,884
Disposals	(11,497)
Depreciation charge for the year	(423,254)
At 30 June 2011, net of accumulated depreciation	905,040
At 1 July 2010	
Cost or fair value	2,211,070
Accumulated depreciation	(975,163)
Net Carrying amount	1,235,907
At 30 June 2011	
Cost or fair value	2,249,315
Accumulated depreciation	(1,344,275)
Net Carrying amount	905,040

	Consolidated
	\$
Office Furniture and Equipment - Year ended 30 June 2010	
At 1 July 2009, net of accumulated depreciation	698,061
Additions	985,729
Disposals	(15,006)
Depreciation charge for the year	(432,877)
At 30 June 2010, net of accumulated depreciation	1,235,907

At 1 July 2009

Cost or fair value	1,274,207
Accumulated depreciation	(576,146)
Net Carrying amount	698,061

At 30 June 2010

Cost or fair value	2,211,070
Accumulated depreciation	(975,163)
Net Carrying amount	1,235,907

16. Non Current Assets - Intangible Assets

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated
	\$
Intellectual Property - Year ended 30 June 2011	
At 1 July 2010	401,584
Additions - purchased intellectual property	-
At 30 June 2011	401,584

Year ended 30 June 2010

At 1 July 2009	401,584
Additions - purchased intellectual property	-
At 30 June 2010	401,584

(b) Description of the Group's intangible assets

(i) Intellectual Property

Intangible assets include acquired intellectual property rights over key business technologies and processes. These intangible assets have been determined to have indefinite useful lives and the cost model is utilised for their measurement. These technologies form the basis of the CogState business and this fact has allowed the Group to determine that these assets have an indefinite useful life. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(c) Impairment losses recognised

(i) Continuing Operations

These assets were tested for impairment during the year ended 30 June 2011. No impairment loss was recognised for operations in the 2011 financial year.

(d) Impairment tests for intangibles with indefinite useful life

Acquired intellectual property rights have been allocated to one individual cash generating unit, which is a reportable segment, for impairment testing as follows:

- Cognitive testing cash generating unit;

Cognitive testing cash generating unit

The recoverable amount of the Cognitive testing unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management

covering a three year period and a terminal growth rate of 3%.

Key assumptions used in value in use calculations for the Cognitive testing cash generating unit for 30 June 2011 and 30 June 2010.

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the Cognitive testing cash generating unit.

Budgeted gross sales – the basis used to determine the value assigned to the budgeted gross sales is the contracted sales for the coming periods taken at the date of the budget formulation, increased for expected new contractual agreements. Thus, values assigned to gross sales reflect past experience, except for new contractual agreements, which are estimated at approximately the same level as the most recent financial year, over half of which, for the next financial year, are being tendered for.

Budgeted operating expenses – the basis used to determine the value assigned to the budgeted operating expenses is the level of the most recent financial year increased on average by the consumer price index plus one percentage point. Thus, values assigned to operating expenses reflect past experience, whilst allowing for general price rises and additional costs necessary for a Group in a growth phase.

The pre-tax discount rate applied to cash flow projections is 20%. The cash generating unit's recoverable amount exceeds the carrying value of its intangible assets. It is not considered a reasonable possibility for a change in assumptions to occur that would lead to a unit's recoverable amount falling below the carrying value of the unit's intangible assets.

17. Current Liabilities - Trade And Other Payables

	Consolidated	
	2011 \$	2010 \$
Trade payables (a)	82,667	155,777
Other Payables		
Employee related payables	297,982	310,268
Accrued Payables	616,578	300,293
Revenue in advance (b)	30,343	365,119
	944,903	975,680

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Revenue in advance

Revenue in advance represents amounts that have been invoiced and paid during the year but which have not been recorded as revenue during the year because of obligations under the particular sales contracts that have not been performed at year end.

(c) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

18. Provisions

	Consolidated		
	Annual Leave \$	\$Long Service Leave \$	Total
At 1 July 2010	287,539	156,391	443,930
Arising during the year	293,069	34,929	327,998
Utilised	(254,887)	-	(254,887)
At 30 June 2011	325,721	191,320	517,041
Current 2011	325,721	166,627	492,348
Non-current 2011	-	24,693	24,693
	325,721	191,320	517,041
Current 2010	287,539	118,384	405,923
Non-current 2010	-	38,007	38,007
	287,539	156,391	443,930

19. Derivative Financial Instruments

	Consolidated	
	2011 \$	2010 \$
Current Assets (Liabilities)		
Forward currency contracts	28,866	(27,152)
	28,866	(27,152)

a) Instruments used by the group

Derivative financial instruments are used by the Group in order to mitigate exposure to fluctuations in foreign currency rates.

The group uses level 1 method in estimating fair value of financial instrument (the fair value is calculated using quoted prices in active markets).

(i) Forward currency contracts

Approximately 99% of the Group's sales are denominated in US Dollars, whilst approximately 75% of costs are denominated in AU Dollars. In order to protect against exchange rate movements, the Group has entered into forward currency contracts to sell US dollars. These contracts are hedging future transfers from US Dollars to AU dollars for working capital requirements and they are timed to mature monthly when its estimated AU Dollars will be needed.

At balance date, the details of outstanding contracts are:

	Amounts		Average exchange rates	
	2011 \$	2010 \$	2011 \$	2010 \$
Sell US\$ maturity 3-15 months - consolidated	100,000	1,200,000	0.8420	0.8420
Sell US\$ maturity 3-15 months - consolidated	600,000	-	1.0695	-
	700,000	1,200,000	1.0370	0.8420

Due to the uncertainty in determining the forward contracts effectiveness, the movements in the fair value of the forward contracts is recorded in profit or loss.

20. Contributed Equity

A) Ordinary Shares

	Consolidated	
	2011 \$	2010 \$
Ordinary Shares	14,333,818	14,303,130
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		

	Number	\$
Movement in ordinary shares on issue		
At 1 July 2009	65,643,086	14,197,010
Exercise of options	709,831	106,120
At 30 June 2010	66,352,917	14,303,130
At 1 July 2010	66,352,917	14,303,130
Exercise of options	204,070	30,688
At 30 June 2011	66,556,987	14,333,818

B) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board has resolved that no dividend should be declared in respect of the year ended 30 June 2011.

The Group is not subject to any externally imposed capital requirements.

21. Retained Earnings And Reserves

	Consolidated	
	2011 \$	2010 \$
Retained earnings - Movement in retained earnings were as follows:		
Balance 1 July 2010	(8,559,074)	(10,196,689)
Net profit/(loss) for the year	(846,206)	1,637,615
Balance 30 June 2011	(9,405,280)	(8,559,074)
Foreign Currency Translation Reserve - Movement in reserves were as follows:		
Balance 1 July 2010	-	-
FX movements in valuation	(73,212)	-
Balance 30 June 2011	(73,212)	-
Share Option Reserve - Movement in reserves were as follows:		
Balance 1 July 2010	1,276,901	935,857
Share based payments	170,904	341,044
Balance 30 June 2011	1,447,805	1,276,901
Employees	1,297,504	1,081,154
Non-employees	150,301	195,747
	1,447,805	1,276,901

Foreign Currency Translation reserve

This reserve is used to record the unrealised exchange differences arising on translation of the foreign joint venture and is not distributable.

Share Option reserve

This reserve is used to record the value of equity benefits provided in a share based payment transaction to employees and directors as part of their remuneration. Refer to note 26 for further details of these plans.

Management have also granted options as compensation to an external consultant based in the US in recognition of his services to the company.

22. Parent Entity Information

	2011 \$	2010 \$
Information relating to CogState Ltd:		
Current assets	6,789,586	6,680,034
Total assets	8,051,838	8,260,990
Current liabilities	1,523,162	1,608,236
Total liabilities	1,523,162	1,608,236
Issued capital	14,303,130	14,303,130
Retained earnings	(9,040,530)	(8,775,755)
Share based payment reserve	1,235,386	1,125,377
Total shareholders' equity	6,497,985	6,652,752
Profit or loss of the parent entity	(264,776)	1,617,993
Total comprehensive income of the parent entity	(264,776)	1,617,993
Guarantee entered into by the parent entity in relation to lease of premises	88,784	88,784
Contractual commitments in relation to commercial leases	688,155	787,564

23. Statement Of Cash Flows

	Consolidated	
	2011 \$	2010 \$
Reconciliation of Net Profit/loss after tax to net cash flows from operations		
Net profit/(loss)	(846,207)	1,637,615
Adjustments for:		
Depreciation	423,254	432,877
Written down value of disposed plant and equipment	8,491	(8,815)
Net exchange differences	86,716	58,269
Share options expensed	170,904	341,044
Interest Received	(112,515)	(82,991)
Fair value of derivatives	(56,018)	27,152
Axon Sports JV	625,642	-
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	420,711	522,555
(Increase)/decrease in prepayments	18,099	(30,753)
(Increase)/decrease in deferred tax assets	(59,062)	(1,349,773)
(Increase)/decrease in other assets	(57,768)	(148,188)
Increase/(decrease) in trade and other payables	(103,889)	(118,411)
Increase/(decrease) in income tax payable	(70,956)	(38,369)
Increase/(decrease) in deferred tax liabilities	(10,325)	15,457
Increase/(decrease) in provisions	73,111	151,178
Net cash used in operating activities	510,188	1,408,847

24. Related Party Disclosure

(a) Subsidiaries

Name	Country of Incorporation	% Equity Interest		Investments (\$)	
		2011	2010	2011	2010
CogState Inc	USA	100%	100%	13	13
CogState Sport Inc	USA	100%	100%	115,536	562,719

(b) Ultimate parent

CogState Limited is the ultimate parent of the group.

(c) Jointly controlled entity

The Group has a 50% interest in Axon Sports LLC (2010: 50%), which will distribute the CogState Sport product in the US.

(d) Loans to subsidiaries

On 3 August 2006 CogState Inc received a loan of up to \$1,000,000 from the ultimate parent company CogState Limited for working capital purposes at an interest rate of 8%, payable annually. CogState Limited may call on this loan at any time, by giving 30 days notice to CogState Inc, and require them to repay the whole, or part of the remaining balance. The maximum term of the loan ends on 2 August 2016.

On 17 June 2010 CogState Sport Inc received a loan from CogState Inc for the investment in Axon Sports

LLC at an interest rate of 4.4%, payable annually. CogState Inc may call on this loan at any time, by giving 30 days notice to CogState Sport Inc, and require them to repay the whole, or part of the remaining balance.

On 15 January 2011 CogState Sport Inc received a further loan from CogState Inc for the investment in Axon Sports LLC at an interest rate of 4.4%, payable annually. CogState Inc may call on this loan at any time, by giving 30 days notice to CogState Sport Inc, and require them to repay the whole, or part of the remaining balance.

(e) Director-related entity transactions

Directors of the Company and their director-related entities, conduct transactions with the Company within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Company would have adopted if dealing with a director or director-related entity at arm's length in similar circumstances.

25. Key Management Personnel

(a) Compensation by category: Key Management Personnel

	Consolidated	
	2011 \$	2010 \$
Short Term	1,390,120	1,431,681
Post Employment	117,126	98,513
Other Long-Term	16,224	-
Termination Benefits	127,984	-
Share-based Payment	235,417	250,500
	1,656,039	1,780,694

The fair value of options granted as part of director and executive remuneration have been calculated using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

(b) Option holdings of Key Management Personnel (Consolidated)

						Vested at 30 June 2011			
	Balance at beginning of period 1-Jul-10	Granted as Remuneration	Options Exercised	Forfeitures	Balance at end of period 30-Jun-11	Total	Subject to Escrow	Exercisable	Not Exercisable
Directors									
M Myer*	1,835,262	100,000	-	(428,588)	1,506,674	1,346,118	-	1,346,118	-
R Morgan	415,000	50,000	-	(100,000)	365,000	254,444	-	254,444	-
D Simpson	415,000	50,000	-	(100,000)	365,000	254,444	-	254,444	-
M Wooldridge	415,000	50,000	-	(100,000)	365,000	254,444	-	254,444	-
R van den Broek	-	100,000	-	-	100,000	-	-	-	-
B O'Connor	2,270,000	150,000	-	-	2,420,000	1,238,056	-	1,238,056	-
Executives									
P Maruff	2,268,153	150,000	-	(75,641)	2,342,512	2,066,956	-	2,066,956	-
D Darby	719,551	75,000	-	-	794,551	652,884	-	652,884	-
S Egholm	650,000	75,000	-	-	725,000	469,444	-	469,444	-
J Harrison	477,851	100,000	-	-	577,851	400,907	-	400,907	-
Total	9,465,817	900,000	-	(804,229)	9,561,588	6,937,697	-	6,937,697	-

						Vested at 30 June 2010			
	Balance at beginning of period 1-Jul-09	Granted as Remuneration	Options Exercised	Forfeitures	Balance at end of period 30-Jun-10	Total	Subject to Escrow	Exercisable	Not Exercisable
Directors									
M Myer*	1,735,262	100,000	-	-	1,835,262	1,670,818	-	1,670,818	-
R Morgan	315,000	100,000	-	-	415,000	250,556	-	250,556	-
D Simpson	315,000	100,000	-	-	415,000	250,556	-	250,556	-
M Wooldridge	315,000	100,000	-	-	415,000	250,556	-	250,556	-
B O'Connor	1,970,000	300,000	-	-	2,270,000	1,314,028	-	1,314,028	-
Executives									
P Maruff	2,268,153	-	-	-	2,268,153	1,775,375	-	1,775,375	-
D Darby	719,551	-	-	-	719,551	469,551	-	469,551	-
S Egholm	650,000	-	-	-	650,000	252,778	-	252,778	-
J Harrison	1,052,265	-	(574,414)	-	477,851	104,974	-	104,974	-
Total	9,340,231	700,000	(574,414)	-	9,465,817	6,339,192	-	6,339,192	-

* Of total option holding 1,080,150 are Investor Options issued conjunction with capital raising.

(c) Shareholdings of Key Management Personnel (Consolidated)

		Granted as Remuneration					
	Balance 1-Jul-10	Vested	Not Vested	Forfeited	Acquired via Rights issue	Acquired On-Market	Balance 30-Jun-11
Directors							
M Myer	13,010,000	-	-	-	-	-	13,010,000
R Morgan	323,513	-	-	-	-	-	323,513
D Simpson	607,538	-	-	-	-	-	607,538
M Wooldridge	120,743	-	-	-	-	-	120,743
B O'Connor	2,457,825	-	-	-	-	-	2,457,825
R van den Broek	3,320,000	-	-	-	-	-	3,320,000
Executives							
D Darby	1,954,890	-	-	-	-		1,954,890

		Granted as Remuneration					
	Balance 1-Jul-09	Vested	Not Vested	Forfeited	Acquired via Rights issue	Acquired On-Market	Balance 30-Jun-10
Directors							
M Myer	12,500,000	-	-	-	-	510,000	13,010,000
R Morgan	323,513	-	-	-	-	-	323,513
D Simpson	607,538	-	-	-	-	-	607,538
M Wooldridge	120,743	-	-	-	-	-	120,743
B O'Connor	416,158	-	-	-	-	2,041,667	2,457,825
Executives							
D Darby	1,954,890	-	-	-	-		1,954,890

26. Share Based Payment Plans

(a) Recognised Share Based Payments Expenses

	Consolidated	
	2011 \$	2010 \$
Expense arising from equity settled share-based payment expenses	170,904	341,044

(b) Non-Executive Director and Employee Share Option Plans, 'ESOP'

An employee share scheme has been established where CogState Limited may, at the discretion of the Board, grant options over the ordinary shares of CogState Limited to executives and certain members of staff of the Group, and to directors, subject to shareholder approval in required circumstances. The options, issued for nil consideration directly to employees, are granted in accordance with guidelines established by the directors of CogState Limited, with a recommendation from the management of CogState Limited, although the directors retain the final discretion on the issue of options. From 2009, the options are issued for a period of 5 years. The previous existing plan issued options for a period of 10 years.

In most cases, one third of the options are exercisable on the first anniversary of the date of the grant. The remaining two thirds of the options are exercisable after the following 24 months. In respect of options issued

to Mr Brad O'Connor, Chief Executive Officer and approved by an Extraordinary Meeting of Shareholders on 22 February 2006, the following additional vesting conditions apply:

50% of the options can be exercised by Mr O'Connor when the share price of the Company's ordinary shares reaches \$0.30 and for a period of at least one calendar month after the share price has reached \$0.30, the average closing price of the Company's ordinary shares is at least \$0.30 and the remaining 50% of the options can be exercised when the share price of the Company's ordinary shares reaches \$0.40 and for a period of at least one calendar month after the share price has reached \$0.40, the average closing price of the Company's ordinary shares is at least \$0.40

The options cannot be transferred and will not be quoted on the ASX. There are no cash settlement alternatives. There are currently 4 directors and 32 executives/staff eligible for this scheme.

(c) Summaries of options granted under ESOP

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movement in share options issued during the year:

	2011	2011	2010	2010
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	10,845,699	\$0.19	10,810,530	\$0.19
Granted during the year	1,225,000	\$0.25	775,000	\$0.25
Forfeited during the year	(45,930)	\$0.10	(30,000)	\$0.24
Exercised during the year	(204,070)	\$0.15	(709,831)	\$0.15
Expired during the year	(804,229)	\$0.43	-	-
Outstanding at the end of the year	11,016,470	\$0.19	10,845,699	\$0.19

The outstanding balance as at 30 June 2011 is represented by

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
75,640	30-Jan-02	30-Jan-05	30-Jan-12	\$0.3600
42,022	14-May-03	13-May-06	13-May-13	\$0.3600
63,034	1-Aug-03	31-Jul-06	31-Jul-13	\$0.3800
81,524	3-Nov-03	02-Nov-06	02-Nov-13	\$0.3800
331,978	28-Jan-04	27-Jan-07	27-Jan-14	\$0.3800
676,966	18-May-04	18-May-07	18-May-14	\$0.2800
138,750	15-Oct-04	15-Oct-07	15-Oct-14	\$0.2400
68,750	15-Jan-05	15-Jan-08	15-Jan-15	\$0.1900
407,872	30-May-05	30-May-08	30-May-15	\$0.1000
847,500	1-Dec-05	01-Dec-08	01-Dec-15	\$0.1150
150,000	19-Jan-06	26-May-09	19-Jan-16	\$0.1150
175,000	26-May-06	26-May-09	26-May-16	\$0.2800
550,000	17-May-07	17-May-10	17-May-17	\$0.2100
250,000	9-Aug-07	08-Aug-10	08-Aug-17	\$0.1700
250,000	26-Oct-07	25-Oct-10	25-Oct-17	\$0.1700
185,351	13-Dec-07	08-Aug-10	12-Dec-17	\$0.1700
1,377,083	1-Jul-08	05-Aug-11	05-Aug-18	\$0.1027
500,000	6-Oct-08	23-Oct-11	23-Oct-18	\$0.1500
1,040,000	24-Oct-08	24-Oct-11	23-Oct-18	\$0.1027
650,000	30-Apr-09	30-Apr-12	30-Apr-19	\$0.2000
1,155,000	29-Jun-09	26-Jun-12	26-Jun-14	\$0.2400
700,000	30-Oct-09	30-Oct-12	30-Oct-14	\$0.2400
50,000	9-Mar-10	09-Mar-13	09-Mar-15	\$0.3000
25,000	31-Mar-10	31-Mar-13	31-Mar-15	\$0.2900
500,000	26-Oct-10	26-Oct-13	26-Oct-15	\$0.2500
550,000	29-Nov-10	29-Nov-13	29-Nov-15	\$0.2500
175,000	7-Dec-10	07-Dec-13	07-Dec-15	\$0.2500
11,016,470				

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding at 30 June 2011 is 5 years (2010: 6 years).



(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.10-\$0.38 (2010: \$0.10-\$0.50).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.1501 (2010: \$0.1989).

(g) Option pricing model

Equity settled transactions

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2011 and 30 June 2010:

	2011		
	26-Oct-10	29-Nov-10	7-Dec-10
Dividend yield (%)	0	0	0
Expected volatility (%)	66.88	66.67	66.57
Risk-free interest rate (%)	5.10%	5.28%	5.40%
Expected life of option (years)	3.5	3.5	3.5
Option exercise price (\$)	0.25	0.25	0.25
Market share price at grant date (\$)	0.26	0.26	0.25

	2010		
	30-Oct-09	9-Mar-10	31-Mar-10
Dividend yield (%)	0	0	0
Expected volatility (%)	69.91	68.95	68.66
Risk-free interest rate (%)	5.35%	5.26%	5.51%
Expected life of option (years)	3.5	3.5	3.5
Option exercise price (\$)	0.24	0.30	0.29
Weighted average share price at grant date (\$)	0.30	0.30	0.29

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

27. Commitments And Contingencies

(a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on the Group's premises in Melbourne and New Haven, as well as some items of plant and equipment. These leases have an average life of up to 6 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2011 \$	2010 \$
Within one year	249,297	188,575
After one year but no more than five years	825,356	1,066,262
More than five years	33,954	141,879
	1,108,607	1,396,716

(b) Contingent liabilities – Bank guarantee

CogState Limited has a bank guarantee in place for \$88,783.75 in respect of the Company's obligations under the lease of premises at Level 2/255 Bourke Street, Melbourne.

(c) Contingent liabilities – contract termination fees

The payments of estimated contract termination fees for years ending 30 June 2012, as referred to in Note 8(h), are contingent upon services being invoiced by CogState Limited to other parties during those financial years under existing sales contracts, which CogState Limited currently expects will occur.

28. Events After Balance Date

On 22 August 2011, CogState Limited, via its wholly owned subsidiary, CogState Sport Inc, entered into a joint arrangement with Quixote Investments LLC whereby both parties agreed to transfer to Axon Sports LLC certain Intellectual Property related to Axon Potential in exchange for additional units in Axon Sports. CogState received an additional 288,000 units with a value of US\$144,000 and Quixote Investments LLC received an additional 488,000 units with a value of US\$244,000. No change occurred to the ownership percentage of Axon Sports LLC as a result of this transaction.

On 22 August 2011, CogState Limited, via its wholly owned subsidiary, CogState Sport Inc, acquired Quixote Investments LLC's 50% interest in Axon Sports LLC, taking CogState's total interest to 100%.

The total consideration transferred for this transaction was estimated to be \$2,537,022, comprised of an issue of equity instruments and the fair value on acquisition date of the 50% of Axon Sports LLC already owned by CogState. The Group issued 7,461,831 ordinary shares with a fair value of \$0.17 each, based on the quoted price of the shares of CogState Ltd on the date of exchange.

The attributable costs of the issuance of ordinary shares will be charged directly to equity as negative contributed equity.

The fair values of the identifiable assets and liabilities of Axon Sports LLC as of the date of acquisition were:

	Fair value at acquisition date*
Cash and cash equivalents	194,913
Trade receivables (book and fair value)	20,274
Prepayments	5,946
Plant and equipment	77,553
	298,687
Trade payables	(31,710)
Other payables	(43,608)
Deferred compensation	(52,395)
	(127,712)
Provisional fair value of identifiable net assets	170,975
Goodwill / identifiable intangibles arising on acquisition	2,366,047
	2,537,023
Acquisition-date fair-value of consideration transferred	
Share issued, at fair value, for 50% interest acquired on 22 August 2011	1,268,511
Acquisition-date fair-value of initial 50% interest	1,268,511
Consideration transferred	2,537,023

* The fair values of the identifiable assets and liabilities acquired as part of the business combination have been determined provisionally and are based upon the best information available as initial accounting was not complete as at the reporting date. The company acquired the intellectual property associated with online sports concussion testing and Axon Potential. The allocation between goodwill and intellectual property of the excess consideration paid over the tangible identifiable net assets listed above has not been completed due to the close proximity of this transaction to reporting date.

Key factors contributing to goodwill being recognised upon acquisition include:

- The 100% control of Axon Sports will allow CogState to utilise the Axon Sports online testing and associated materials to pursue the sports concussion markets outside North America.
- 100% control of Axon Sports means that CogState is in a position to take full advantage of current opportunities being discussed with large pharmaceutical companies with the aim of making CogState technology available to clinicians as a low cost, non-invasive, screening tool that could be provided within a clinician's surgery, in numerous indications, including sports concussions.

Additional disclosures which were not practical due to the proximity of transaction date to reporting date:

- Whether any component of the reacquired rights represents an “effective settlement” of Axon Sports’ licensing arrangement for use of the CogState name / technology / IP in the United States of America
- As the amount of the indicative consideration may be subject to change (as an effective settlement) the amount of goodwill / intangibles may change
- The consideration will also potentially change the amount of gain on sale of the Axon Sport’s equity accounted balance
- Determination of specific transaction costs
- Finalise the income tax implications of the business combination.

29. Auditor’s Remuneration

The auditor of CogState Limited is Ernst & Young.

Amounts received or due and receivable by Ernst & Young (Australia) for:

	Consolidated	
	2011 \$	2010 \$
- an audit or review of the financial report of the entity	58,513	52,888
- other services in relation to the entity	-	5,150
	58,513	58,038

Directors' Declaration

The directors declare that the financial statements and notes in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) As stated in Note 2(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2011 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that CogState Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and finance manager to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

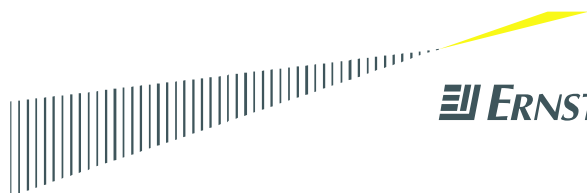
This declaration is made in accordance with a resolution of the directors.



Martyn Myer AO
Chairman

Melbourne, 23rd August 2011

Independent Auditors Report



Independent auditor's report to the members of CogState Limited

Report on the financial report

We have audited the accompanying financial report of CogState Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements and notes comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Opinion

In our opinion:

- a. the financial report of Cogstate Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 33 to 40 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of CogState Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Joanne Lonergan
Partner
Melbourne
23 August 2011

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2011.

A. Distribution of Equity Securities

Numbers of equity security holders by size of holding, for each security type are:

Holding Range	Fully paid ordinary shares	Options over unissued shares
1 to 1,000	62	0
1,001 to 5,000	100	0
5,001 to 10,000	70	3
10,001 to 100,000	170	10
100,001 and Over	57	13
Total	459	26

Holding less than a marketable parcel	94
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No.	Shareholder Name	Quantity	%
1	M F CUSTODIANS LTD	13,963,868	18.71%
2	QUIXOTE INVESTMENT LLC	12,961,831	17.37%
3	ASIA UNION INVESTMENTS PTY LTD	6,980,428	9.35%
4	CITICORP NOMINEES PTY LIMITED	3,386,900	4.54%
5	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,336,209	4.47%
6	BETA GAMMA PTY LTD	3,000,000	4.02%
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,962,230	3.97%
8	DR PETER ANTHONY BICK & MS MELANIE JO GRIBBLE	2,863,924	3.84%
9	MR BRADLEY JOHN O'CONNOR	2,214,656	2.97%
10	DALEFORD WAY PTY LTD	1,741,311	2.33%
11	DR DAVID DARBY & DR BEVERLEY-ANNE RODAN	1,331,514	1.78%
12	HOWITT NOMINEES PTY LTD	1,000,000	1.34%
13	ELLAM PARK PTY LTD	876,921	1.18%
14	A/PROF DAVID GORDON DARBY	706,709	0.95%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	683,600	0.92%
16	MR DAVID ALEXANDER SIMPSON & MRS DAWN GENTRY SIMPSON	607,538	0.81%
17	GUST CONSULTING PTY LTD	600,000	0.80%
18	MRS ERICA MARGARET STRONG	575,000	0.77%
19	MR RICHARD JOHN ILLTYD MORGAN	452,402	0.61%
20	MR CAMPBELL DINWOODIE TAYLOR	450,000	0.60%
		60,695,041	81.34%

C. Unquoted equity securities

	Number on Issue	Number of Holders
Options to acquire ordinary shares	4,941,029	5*
Options to acquire ordinary shares, issued under the Directors' and Executives' Option Plan	9,201,470	22

* - Includes one holder who also hold options under the Non-Executive Director Option Plan

D. Substantial Shareholders

Substantial shareholders of ordinary shares in the company are set out below:

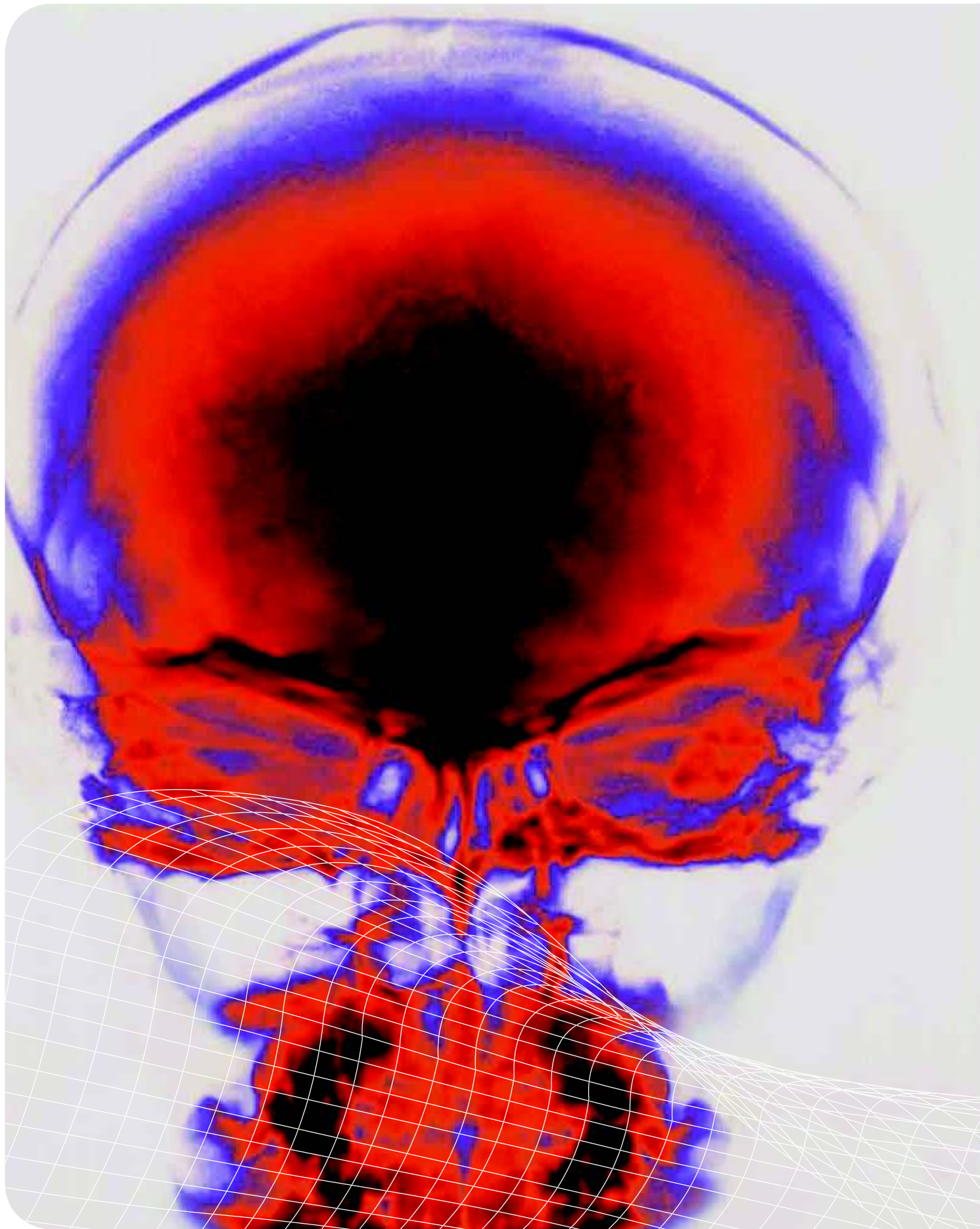
Shareholder Name	Quantity	%
M F CUSTODIANS LTD	13,963,868	18.71%
QUIXOTE INVESTMENT LLC	12,961,831	17.37%
ASIA UNION INVESTMENTS PTY LTD	6,980,428	9.35%
	33,906,127	45.44%

E. Voting Rights

All ordinary fully paid shares carry one vote per share without restrictions.

Options do not carry a right to vote.

There is no current on market buy back.



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