



CogState Limited and controlled entities
ABN 80 090 975 723

**Appendix 4D Information and Condensed Half-Year Financial
Report**

For the half-year ended 31 December 2011

**This half-year financial report is to be read in conjunction with
the financial report for the year ended 30 June 2011**

CORPORATE INFORMATION

ABN 80 090 975 723

Directors

Mr Martyn Myer AO (Chairman)
Mr Brad O'Connor (Chief Executive Officer)
Mr David Simpson
Mr Richard van den Broek
Mr Rudy Chapa (Appointed 24 August 2011)

Company Secretary

Claire Newstead-Sinclair

Registered Office

Level 2
255 Bourke Street
Melbourne Vic 3000

Share Register

Link Market Services
Level 1, 333 Collins Street, Melbourne, Victoria, 3000
Telephone: 1300 554 474

Stock Exchange Listing

CogState Limited shares are listed on the Australian Stock Exchange.
Market code: CGS

Solicitors

Clayton Utz
333 Collins Street
Melbourne
Vic, 3000

Bankers

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

Auditors

Pitcher Partners
15 William Street
Melbourne
Vic 3000

Internet Address

www.cogstate.com

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Appendix 4D Information**Reporting period: 1 July 2011 to 31 December 2011****Reporting corresponding period: 1 July 2010 to 31 December 2010***(Appendix 4D item 1)*

	31 Dec 2011	31 Dec 2010	
Revenue <i>(Appendix 4D item 2.1)</i>	\$7,009,197	\$4,017,104	74.5% improvement
Profit/(Loss) after tax attributable to members <i>(Appendix 4D item 2.2)</i>	\$3,401,886	(\$895,244)	480.0% improvement
Net Profit/(Loss) for the period attributable to members <i>(Appendix 4D item 2.3)</i>	\$3,401,886	(\$895,244)	480.0% improvement

Dividends / Distributions*(Appendix 4D items 2.4, 2.5 and 2.6)*

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2011.

Explanation of Revenue and Profit*(Appendix 4D item 2.6)*

	31-Dec-11	31-Dec-10
Revenue from customers	6,941,132	3,953,495
Interest received	68,065	63,609
Revenue <i>(Appendix 4D item 2.1)</i>	<u>7,009,197</u>	<u>4,017,104</u>
Operating Profit (Earnings, before interest paid, grant income, tax, foreign exchange gain/loss and termination fees)	2,636,530	(332,285)
Other income from reimbursement of costs from Axon Sports	138,474	-
Revaluation of initial investment in Axon Sports	1,268,480	-
Non-recurring termination fees	(42,904)	(92,368)
Foreign exchange gain/(loss)	108,486	(300,366)
Fair value gain/(loss) on derivatives	(31,100)	163,067
Profit/(loss) on disposal of assets	(874)	(8,490)
Share of loss in joint venture	(252,718)	(381,010)
Finance costs	(26,355)	(18,867)
Income tax benefit/(expense)	(396,133)	75,075
Net Profit/(Loss) for the period attributable to members <i>(Appendix 4D item 2.2 & 2.3)</i>	<u><u>3,401,886</u></u>	<u><u>(895,244)</u></u>

Explanation of Revenue and Profit (continued)**Revenue Breakdown - A\$**

	Growth	31/12/2011	31/12/2010
Clinical Trials Segment	77.0%	6,863,232	3,876,533
Consumer Segment	1.2%	77,900	76,962
Revenue from Customers	75.6%	6,941,132	3,953,495
Interest Received	7.0%	68,065	63,609
Total Revenue	74.5%	7,009,197	4,017,104

Measured in Australian dollars, CogState recorded a 75.6% increase in revenue from customers compared to the previous corresponding half year. However, on a constant currency basis, the increase in revenue from customers was 85.7%, as shown below:

	US\$ Sales Revenue	A\$ Sales Revenue
31 December 2011 half year	\$7.1m	\$6.9m
31 December 2010 half year	\$3.8m	\$4.0m
% increase in sales revenue	85.7%	75.6%

The increase in revenue from clinical trials reflects an increase in sales contracts signed during the period as well as the improved starting position of contracted clinical trials revenue at the beginning of the period. Revenue from clinical trials contracts is recognised over the life of the contract, typically anywhere between 9 and 36 months.

	31/12/2011	31/12/2010
Clinical Trials Revenue contracted at 1 July	5,649,431	4,812,767
Contracts signed during the period ¹	10,207,247	4,173,865
Revenue Recognised ²	(6,863,232)	(3,876,533)
Foreign exchange fluctuation ³	250,316	(1,764,172)
Clinical Trials Revenue contracted at 31 December	9,243,762	3,345,927

¹ - Clinical trials contracts are predominantly denominated in \$US. The value of contracts signed has been converted to \$A at the exchange rates prevailing at 31 December.

² - Revenue is invoiced in the applicable currency of the contract, usually \$US. Revenue is converted at the spot rate on the date of invoice.

³ - Prevailing exchange rates – 01/07/2010 A\$1 = US\$0.86; 31/12/2010 A\$1 = US\$1.02; 1/7/2011 A\$1 = US\$1.06; and 31/12/2011 A\$1 = US\$1.02.

Of the \$9,243,762 clinical trials contracted revenue at 31 December, \$3.79m is expected to be recognised by 30 June 2012, \$4.09m is expected to be recognised in the 2013 financial year, \$1.06m in the 2014 financial year and \$0.30m in the 2015 financial year.

The consumer segment reflects income from non-clinical trials markets. The current consumer focus is in the area of sports and the associated management of concussion. Additionally in development are tools to assist physicians to detect cognitive decline including that associated with Alzheimer's disease and other dementias.

Explanation of Revenue and Profit (continued)

For the prior period, revenue in the consumer segment solely reflects sales of the CogState Sport product. For the current period, revenue from the consumer segment includes CogState Sport as well as sales by Axon Sports LLC, which are included in this segment post 100% acquisition by CogState on 22 August 2011.

On 22 August 2011, CogState acquired the remaining 50% interest in the Axon Sports joint venture, resulting in Axon Sports becoming a 100% owned subsidiary. A key commercial driver of the acquisition was to capture 100% ownership of all intellectual property controlled by Axon Sports LLC. This intellectual property is critical to CogState's ambitions in the consumer segment of screening for cognitive decline by physicians.

Under equity accounting principles, the initial investment in Axon Sports held by CogState had been previously written down to a zero value in the Statement of Financial Position. Following the acquisition of the remaining 50% of Axon Sports, CogState was required to revalue its initial 50% investment to the same value as that prescribed to the acquired 50% investment. The revaluation resulted in a profit of \$1.27m. The Axon Sports acquisition has been provisionally accounted for, refer to Note 8.

The Net Profit After Tax for the period was \$3.40m, an improvement of \$4.29m on the previous corresponding period (2010: \$0.90m loss). The improvement in NPAT can be largely attributed to the increase in sales revenue from the clinical trial business – delivering an increase of \$2.98m in Operating Profit. Additionally, the revaluation of the initial investment held in Axon Sports LLC (upon acquisition of the remaining 50% of issued shares) added \$1.27m to Net Profit After Tax. These two factors combined to increase the profit by \$4.25m compared to the previous corresponding period.

Foreign exchange gains for the half year ended 31 December 2011 totalled \$0.10m (2010: losses of \$0.30m).

Net Tangible Assets Per Security

(Appendix 4D item 3)

31-Dec-11	31-Dec-10
9.1 cents	6.6 cents

DIRECTORS' REPORT

Your directors submit their report for the half year ended 31 December 2011.

This half year report covers the consolidated entity comprising CogState Limited, Axon Sports Pty Limited, CogState Inc., CogState Sport Inc. and Axon Sports LLC (the Group).

DIRECTORS

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

Mr Martyn Myer AO (Chairman, Chairman of the Audit Committee)
Mr Brad O'Connor (Chief Executive Officer)
Mr David Simpson
Mr Richard van den Broek
Mr Rudy Chapa (appointed 24 August 2011)

REVIEW AND RESULTS OF OPERATIONS

At this time, CogState's primary market 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 conducted by pharmaceutical, biotechnology, nutraceutical and functional food companies.

CogState's cognitive testing technology is also used in the consumer market in the area of sports, where the technology is used by medical professionals to assist in the determination of whether an athlete has recovered from a concussive injury. In the sports market, CogState operates under the Axon Sports brand.

Additionally, CogState is validating use of its technology as a screening tool in the consumer market for cognitive impairment associated with dementia, such as Alzheimer's disease. CogState expects to begin commercialisation of that technology within the next year.

On 22 August 2011, CogState acquired the remaining 50% in Axon Sports LLC resulting in Axon Sports becoming a 100% owned subsidiary.

On 2 November 2011, CogState Ltd incorporated Axon Sports Pty Ltd for sales into the Australian sports market.

CogState conducts its operations from offices in Australia and the USA.

Total revenue increased by 74.5%, compared to the previous corresponding half year.

The Net Profit After Tax for the period was \$3.40m, an improvement of \$4.29m on the previous corresponding period (2010: \$0.90m loss). The improvement in NPAT can be largely attributed to the increase in sales revenue from the clinical trial business – delivering an increase of \$2.98m in Operating Profit. Additionally, the revaluation of the initial investment held in Axon Sports LLC (upon acquisition of the remaining 50% of issued shares) added \$1.27m to Net Profit After Tax. These two factors combined to increase the profit by \$4.25m compared to the previous corresponding period.

Foreign exchange gains for the period were \$0.10m compared to losses of \$0.30m for the corresponding period last year. These gains arose mainly on the Group's \$US-denominated trade debtors and \$US bank accounts and included both realised and unrealised gains.

DIRECTORS' REPORT (continued)

Non-operating contract termination fees of \$0.04m were paid in respect of the termination of a sales and marketing agreement. The contract termination fees represent revenue sharing on a small number of sales contracts that would have been payable by CogState under the sales and marketing agreement. No further termination fees are expected to be paid.

On 22 August 2011, CogState acquired the remaining 50% interest in the Axon Sports joint venture, resulting in Axon Sports becoming a 100% owned subsidiary. A key commercial driver of the acquisition was to capture 100% ownership of all intellectual property controlled by Axon Sports LLC. This intellectual property is critical to CogState's ambitions in the consumer segment of screening for cognitive decline by physicians

Under equity accounting principles, the initial investment in Axon Sports held by CogState had been previously written down to a zero value in the Statement of Financial Position. Following the acquisition of the remaining 50% of Axon Sports, CogState was required to revalue its initial 50% investment to the same value as that prescribed to the acquired 50% investment. The revaluation resulted in a profit of \$1.27m. The Axon Sports acquisition has been provisionally accounted for, refer to Note 8.

Notwithstanding the significant increase in clinical trials work, the direct costs of conducting trials increased by only 3.6% from the previous corresponding period (2011: \$1.99m; 2010: \$1.92m). The effective reduction in costs relative to revenue reflected the cost reduction strategies implemented in June 2011. In order to service the large increase in clinical trial work, it was necessary to increase USA based staff during the half year, thereby increasing direct costs to a level consistent with the previous corresponding period. The staff increases are expected to result in increased costs in the second half of the financial year, relative to costs incurred in the first half.

Other indirect operating costs are consistent with the previous corresponding period (2011: \$2.39m; 2010: \$2.44m).

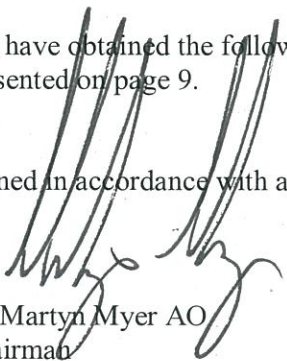
Employment costs of \$2.46m (2010: \$2.67m) accounted for 56.2% of total direct trial costs and operating costs (2010: 63.5%).

Full time equivalent employees at 31 December 2011 totalled 50 compared to 40 full time equivalent employees at 31 December 2010.

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Pitcher Partners, as presented on page 9.

Signed in accordance with a resolution of the directors.



Mr Martyn Myer AO
Chairman
Melbourne, February 2012



AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CogState Limited

In relation to the independent review for half-year ended 31 December 2011, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.

K L BYRNE

Partner

PITCHER PARTNERS

Melbourne

Date *21 February 2012*

**CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

		Consolidated	
	Note	31-Dec-11	30-Jun-11
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,458,073	3,306,562
Trade and other receivables	6	3,622,033	1,202,760
Other current assets		361,999	381,264
Derivative financial instruments		-	28,866
Total Current Assets		7,442,105	4,919,452
Non-Current Assets			
Plant and equipment		992,002	905,040
Intangible assets		401,584	401,584
Investment in joint ventures		-	115,536
Goodwill	8	2,533,695	-
Deferred tax assets		1,143,040	1,516,595
Total Non-Current Assets		5,070,321	2,938,755
TOTAL ASSETS		12,512,426	7,858,207
LIABILITIES			
Current Liabilities			
Trade and other payables		1,239,713	1,027,570
Derivative financial instruments		2,235	-
Provisions		403,955	492,348
Deferred tax liabilities		10,762	10,465
Total Current Liabilities		1,656,665	1,530,383
Non-Current Liabilities			
Provisions		11,237	24,693
Total Non-Current Liabilities		11,237	24,693
TOTAL LIABILITIES		1,667,902	1,555,076
NET ASSETS		10,844,524	6,303,131
EQUITY			
Contributed equity		15,676,970	14,333,818
Accumulated losses		(6,003,394)	(9,405,280)
Foreign Currency Translation Reserve		1,885	(73,212)
Reserves		1,169,063	1,447,805
TOTAL EQUITY		10,844,524	6,303,131

**CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated	
		31-Dec-11 \$	31-Dec-10 \$
Revenue			
Operations			
Sale of services	3(a)	6,941,132	3,953,495
Finance revenue	3(a)	68,065	63,609
		7,009,197	4,017,104
Cost of sales	3(b)	(1,994,450)	(1,924,613)
Gross profit		5,014,747	2,092,491
Other income from reimbursement of costs from Axon Sports	3(a)	138,474	-
Revaluation of initial investment in Axon Sports	3(a), 8	1,268,480	-
Fair value gain/(loss) on derivative	3(a)	(31,100)	163,067
Employee benefits expense	3(c)	(1,062,011)	(1,367,337)
Depreciation and amortisation expense	3(d)	(30,758)	(26,135)
Occupancy expenses		(151,035)	(155,799)
Marketing expenses		(68,463)	(54,901)
Professional services fees		(185,978)	(183,280)
Administrative expenses	3(e)	(425,575)	(395,807)
Travel expenses		(218,826)	(224,870)
Research and development expenses		(234,228)	(16,194)
Sales commissions		(1,343)	(453)
Finance costs	3(f)	(26,355)	(18,867)
Net foreign exchange gain/(loss)		108,486	(300,366)
Non-recurring contract termination fees	3(g)	(42,904)	(92,368)
Other expenses		(874)	(8,490)
		4,050,737	(589,309)
Share of losses in joint venture		(252,718)	(381,010)
Profit/(loss) before income tax from continuing operations		3,798,019	(970,319)
Income tax benefit/(expense)		(396,133)	75,075
Profit/(loss) after income tax from continuing operations		3,401,886	(895,244)
Net profit for the period		3,401,886	(895,244)
Other comprehensive income			
Exchange differences on translation of foreign operations, net of tax		75,097	-
Other comprehensive income for the period		75,097	-
Total comprehensive income for the period		3,476,983	(895,244)
Earnings per share (cents per share)			
- basic for profit attributable to ordinary equity holders		4.72	(1.35)
- diluted for profit attributable to ordinary equity holders		4.64	(1.35)

**CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Consolidated				
	Issued Capital	Retained earnings	Share Option Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
As at 1 July 2010	14,303,130	(8,559,074)	1,276,901	-	7,020,957
Profit / (loss) for the period	-	(895,244)	-	-	(895,244)
Total comprehensive income	-	(895,244)	-	-	(895,244)
Transactions with owners in their capacity as owners:				-	
Exercise of options	30,690	-	-		30,690
Cost of share-based payment	-	-	94,180	-	94,180
As at 31 December 2010	14,333,820	(9,454,318)	1,371,081	-	6,250,583
As at 1 July 2011	14,333,818	(9,405,280)	1,447,805	(73,212)	6,303,131
Profit / (loss) for the period	-	3,401,886	-	-	3,401,886
Exchange differences on translation of foreign operations	-	-	-	75,097	75,097
Total comprehensive income	-	3,401,886	-	75,097	3,476,983
Transactions with owners in their capacity as owners:				-	
Issue of Share Capital	1,268,511	-	-		1,268,511
Cost of issue of Share Capital	(5,588)	-	-	-	(5,588)
Exercise of options	80,229	-	-	-	80,229
Cost of share-based payment	-	-	(278,742)	-	(278,742)
As at 31 December 2011	15,676,970	(6,003,394)	1,169,063	1,885	10,844,524

**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Note	Consolidated 31-Dec-11 \$	31-Dec-10 \$
Cash flows from operating activities			
Receipts from customers		4,504,895	3,583,801
Payments to suppliers and employees		(4,431,429)	(4,081,420)
Net cash flows from/(used in) operating activities		<u>73,466</u>	<u>(497,619)</u>
Cash flows from investing activities			
Interest received		73,374	60,693
Purchase of property, plant & equipment		(121,637)	(84,855)
Proceeds from sale of property, plant & equipment		-	2,553
Take on cash balance from Axon Sports acquisition		131,230	-
Net cash flows from/(used in) investing activities		<u>82,967</u>	<u>(21,609)</u>
Cash flows from financing activities			
Proceeds from issue of shares		80,229	30,690
Transaction costs of issue of shares		(5,588)	-
Interest payments		(14,424)	(6,558)
Net cash flows from financing activities		<u>60,217</u>	<u>24,132</u>
Net increase/(decrease) in cash and cash equivalents		216,650	(495,096)
Net foreign exchange differences		(65,139)	(176,781)
Cash and cash equivalents at beginning of period		<u>3,306,562</u>	<u>3,092,436</u>
Cash and cash equivalents at end of period	5	<u><u>3,458,073</u></u>	<u><u>2,420,559</u></u>

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2011 has been prepared in accordance with AASB134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by CogState Limited and its controlled entity during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Changes in accounting policy

All accounting policies applied in this half-year financial report are the same as those used in the annual financial report for the year ended 30 June 2011.

The Group has not elected to early adopt any new Standards or amendments that are issued but not yet effective.

2. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments 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. clinical trials and consumer markets). Discrete financial information is reported to the executive management team on at least a monthly basis.

Types of products and services

The types of products and services sold in this half-year are the same as those disclosed in the annual financial report for the year ended 30 June 2011.

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

- Interest revenue
- Fair value gain/(loss) on derivative
- Interest expense
- Non-recurring termination fees
- Foreign exchange gain/loss
- Profit/loss on disposal of assets
- Finance costs
- Other income
- Revaluation of initial investment in Axon Sports LLC

The following table presents revenue and profit information regarding the operating segments of clinical trials and consumer markets for the half-years ended 31 December 2011 and 31 December 2010.

2. SEGMENT INFORMATION (continued)

	Clinical Trials	Consumer Market*	Unallocated items	Total
Half Year ended 31 December 2011				
Revenue				
Sales to external customers	6,863,232	77,900	-	6,941,132
Other revenue	-	-	-	-
Total segment revenue	6,863,232	77,900	-	6,941,132
Interest revenue	-	-	68,065	68,065
Total revenue per statement of comprehensive income				<u>7,009,197</u>
Operating profit	3,020,190	(451,725)	68,065	2,636,530
Other income	-	-	138,474	138,474
Revaluation of investment in Axon Sports	-	-	1,268,480	1,268,480
Non-recurring termination fees	-	-	(42,904)	(42,904)
Foreign exchange gain/(loss) realised and unrealised	-	-	108,486	108,486
Fair value gain/(loss) on derivatives	-	-	(31,100)	(31,100)
Profit on disposal of assets	-	-	(874)	(874)
Share of loss in joint venture	-	(252,718)	-	(252,718)
Finance costs	-	-	(26,355)	(26,355)
Segment result	3,020,190	(704,443)	1,482,272	<u>3,798,019</u>
Profit/(loss) before tax per statement of comprehensive income				<u>3,798,019</u>

* The name of this segment has been changed to be more consistent with the segment's operations.

	Clinical Trials	Consumer Market*	Unallocated items	Total
Half Year ended 31 December 2010**				
Revenue				
Sales to external customers	3,876,533	76,962	-	3,953,495
Other revenue	-	-	-	-
Total segment revenue	3,876,533	76,962	-	3,953,495
Interest revenue	-	-	63,609	63,609
Total revenue per statement of comprehensive income				<u>4,017,104</u>
Operating profit	(472,856)	76,962	63,609	(332,285)
Non- recurring termination fees	-	-	(92,368)	(92,368)
Foreign exchange gain/(loss) realised and unrealised	-	-	(300,366)	(300,366)
Fair value loss on derivatives	-	-	163,067	163,067
Profit on disposal of assets	-	-	(8,490)	(8,490)
Share of loss in joint venture	-	(381,010)	-	(381,010)
Finance costs	-	-	(18,867)	(18,867)
Segment result	(472,856)	(304,048)	(193,415)	<u>(970,319)</u>
Profit/(loss) before tax per statement of comprehensive income				<u>(970,319)</u>

* The name of this segment has been changed to be more consistent with the segment's operations.

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

3. REVENUE AND EXPENSES

	Note	Consolidated	
		31-Dec-11 \$	31-Dec-10 \$
(a) Revenue			
Sale of tests and services in clinical trials		6,863,232	3,858,133
Sale of tests and services in consumer markets		77,900	95,362
Total sales		6,941,132	3,953,495
Other Revenue			
Fair value gain/(loss) on derivative		(31,100)	163,067
Bank interest		68,065	63,609
Other income from reimbursement of costs from Axon Sports		138,474	-
Revaluation of initial investment in Axon Sports	8	1,268,480	-
		8,385,051	4,180,171
(b) Cost of sales			
Direct project costs		(138,956)	(80,123)
Direct employment expenses		(1,413,516)	(1,300,240)
Direct depreciation		(124,635)	(183,442)
Direct travel		(212,331)	(272,293)
Direct freight		(105,011)	(88,515)
		(1,994,449)	(1,924,613)
(c) Employee benefits expense			
Employment expenses included in Cost of Sales			
Direct employment expenses		(1,413,516)	(1,300,240)
Other indirect employment expenses			
Wages and salaries		(1,401,096)	(1,256,225)
Long service leave provision		60,343	(16,932)
Share based payment expense		278,742	(94,180)
		(1,062,011)	(1,367,337)
Total employment expenses		(2,475,527)	(2,667,577)
(d) Depreciation and amortisation expense			
Direct depreciation expense included in Cost of Sales			
Direct depreciation		(124,635)	(183,442)
Other indirect depreciation expenses			
Depreciation and amortisation expense		(30,758)	(26,135)
Total depreciation and amortisation expenses		(155,393)	(209,577)

3. REVENUE AND EXPENSES (continued)

	Consolidated	
	31-Dec-11	31-Dec-10
	\$	\$
(e) Administrative expenses		
General administration expenses	(96,213)	(69,250)
Computer expenses	(52,807)	(27,829)
Communications expenses	(48,924)	(38,971)
Insurance expenses	(113,412)	(114,319)
Web hosting expenses	(35,560)	(19,695)
Quality control	(5,183)	(2,492)
Parking expenses	(954)	(1,705)
Entertainment	(14,941)	(14,741)
ASX and share registry fees	(44,248)	(43,209)
Financial consultants	(13,333)	(63,596)
	<u>(425,575)</u>	<u>(395,807)</u>
(f) Finance costs		
Finance charges paid on banking facilities	(11,931)	(12,309)
Interest Expense	(14,424)	(6,558)
	<u>(26,355)</u>	<u>(18,867)</u>
(g) Non-recurring item – contract termination fees		
Contract termination fees	<u>(42,904)</u>	<u>(92,368)</u>

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.

No further contract termination fees arising from this matter are expected to be payable in future years.

4. SIGNIFICANT ITEM

On 22 August 2011, CogState acquired the remaining 50% interest in the Axon Sports joint venture, resulting in Axon Sports becoming a 100% owned subsidiary. A key commercial driver of the acquisition was to capture 100% ownership of all intellectual property controlled by Axon Sports LLC. This intellectual property is critical to CogState's ambitions in the consumer segment of screening for cognitive decline by physicians

Under equity accounting principles, the initial investment in Axon Sports held by CogState had been previously written down to a zero value in the Statement of Financial Position. Following the acquisition of the remaining 50% of Axon Sports, CogState was required to revalue its initial 50% investment to the same value as that prescribed to the acquired 50% investment. The revaluation resulted in a profit of \$1.27m and Goodwill of \$2.53m. The current revenue and goodwill relating to this transaction are based on provisional accounting due to the proximity of transaction date to reporting date and may change once the accounting is finalised, refer to Note 8.

5. CASH AND CASH EQUIVALENTS

For the purposes of the half year statement of cashflows, cash and cash equivalents are comprised of the following:

	Consolidated	
	31-Dec-11	31-Dec-10
	\$	\$
Cash at bank and in hand	693,060	493,474
Short-term deposits	2,765,013	1,927,085
Total cash and short term deposits	<u>3,458,073</u>	<u>2,420,559</u>

6. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31-Dec-11	30-Jun-11
	\$	\$
Trade Receivables ¹	3,622,033	1,202,760
	<u>3,622,033</u>	<u>1,202,760</u>

¹Trade receivables are non-interest bearing and are generally on 30-60 day terms.

A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. No doubtful debt provision has been recognised as at 31 December 2011(30 June 2011: \$nil) as no such evidence exists.

7. CONTRIBUTED CAPITAL

The company issued 7,461,831 ordinary shares during the period ended 31 December 2011 for \$0.17 per share as payment for the acquisition of the remaining 50% of Axon Sports LLC. The transactions costs associated with this issue were \$5,588.

The following options were exercised and shares issued in the half year ended 31 December 2011:

Date of exercise	Shares Issued	Exercise Price	Total
7/7/2011	29,214	\$ 0.1027	\$ 3,000
8/7/2011	128,889	\$ 0.1027	\$ 13,237
21/7/2011	29,167	\$ 0.1027	\$ 2,995
25/7/2011	81,489	\$ 0.1027	\$ 8,369
26/7/2011	47,400	\$ 0.1027	\$ 4,868
27/7/2011	194,742	\$ 0.1027	\$ 20,000
28/7/2011	88,588	\$ 0.1027	\$ 9,098
15/9/2011	30,000	\$ 0.1027	\$ 3,081
4/10/2011	92,500	\$ 0.1027	\$ 9,500
24/10/2011	30,000	\$ 0.1027	\$ 3,081
17/11/2011	12,500	\$ 0.2400	\$ 3,000
Total	764,489		\$ 80,229

8. PROVISIONALLY ACCOUNTED BUSINESS COMBINATION

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 its total interest to 100%.

The total consideration for this transaction was \$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 were 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	131,230
Trade receivables (book and fair value)	16,750
Prepayments	12,473
Plant and equipment	80,450
	<u>240,903</u>
Trade payables	(15,622)
Other payables	(42,998)
Deferred compensation	(57,905)
	<u>(116,525)</u>
Provisional fair value of identifiable net assets	124,378
Provisional Goodwill / identifiable intangibles arising on acquisition**	2,412,645
	<u>2,537,022</u>
Provisional acquisition-date fair-value of consideration	
Share issued, at fair value, for 50% interest acquired on 22 August 2011	1,268,511
Provisional acquisition-date fair-value of initial 50% interest	1,268,511
Consideration	<u>2,537,022</u>

* 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. In addition, the fair value adjustment of the initial 50% interest is also provisionally accounted for.

** The provisional goodwill / identifiable intangible arising on acquisition figure noted above is based up the foreign exchange rate on the date of acquisition, 22 August 2011. As the figure is required to be revalued on reporting date, the goodwill/identifiable intangible figure in the balance sheet at 31 December 2011 is different, due to the movements in the \$A/\$US exchange rate.

Key factors contributing to goodwill/identifiable intangibles 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
- Determine the extent to which goodwill will be tax deductible

Contribution since acquisition

Since the acquisition date Axon Sports LLC has contributed revenue of \$36,043 and a loss after tax of \$529,625 which is included within the consolidated profit. Had the combination occurred from the beginning of the year, operating profit for the consolidated entity would have been \$3,130,241 and revenue would have been \$7,059,404.

Transaction costs

Transaction costs of \$5,588 were incurred in relation to the acquisition. These costs are recorded against Issued Capital.

9. COMMITMENTS AND CONTINGENCIES

The only changes in commitments and contingent liabilities since 30 June 2011, are from repayment of operating leases. No new commitments or contingent liabilities have arisen.

DIRECTORS' DECLARATION

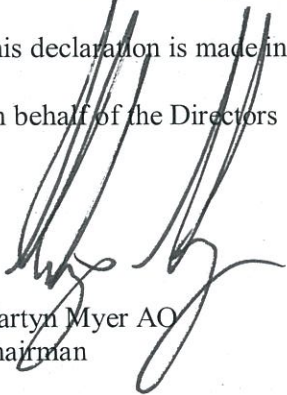
The directors declare that the financial statements and notes set out on pages 10 to 24 in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2011 and of its performance for the half-year ended on that date.

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

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

On behalf of the Directors



Martyn Myer AO
Chairman



Bradley O'Connor
Chief Executive Officer

Melbourne, February 2012



**COGSTATE LIMITED
ABN 80 090 975 723
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
COGSTATE LIMITED**

We have reviewed the accompanying half-year financial report of CogState Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CogState Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

**COGSTATE LIMITED
ABN 80 090 975 723
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
COGSTATE LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CogState Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

K L BYRNE
Partner

PITCHER PARTNERS
Melbourne

Date: 21 February 2012