



2012 COGSTATE ANNUAL REPORT

FINANCIAL OVERVIEW

	2012	2011
REVENUE FROM ORDINARY ACTIVITIES	12,170,074	8,248,060
EARNINGS BEFORE INTEREST, TAX AND AMORTISATION (EBITA)	2,898,838	(1,022,140)
EBITA BEFORE ONE-OFF ITEMS	1,491,883	(1,022,140)
NET PROFIT AFTER TAX	2,451,962	(846,206)
NET TANGIBLE ASSETS PER SHARE	0.09	0.07
EARNINGS PER SHARE	0.03	(0.01)

BUSINESS MILESTONES

2012

- Significant sales growth in the clinical trials market producing record profitability and providing valuable cash flow for investment in other business segments
- Further research demonstrating the utility of CogState technology in Alzheimer's disease, culminating in the June 2012 agreement with Merck, targeting an initial launch of the technology in Canada for use as a screening tool for the general public
- Development and beta-testing of neuro-cognitive training products that are set for commercial launch in the 2013 financial year by Axon Sports
- Toyota partnered with CogState to launch a community based concussion management program in Australian Rules Football, the first such sponsored offering of CogState technology
- The launch of a new version of the CogState testing technology that will enable use of new technology platforms (such as web based testing or use of tablet / mobile hardware) as well as reengineering the code base to enable use of cloud architecture
- The CogState Board of Directors was restructured, adding significant commercial experience

BUSINESS OUTLOOK

2012 - 2013

- In conjunction with Merck, launch CogState technology in the Canadian General Practice market, focussing initially on detection of cognitive decline associated with Alzheimer's disease
- Continue the work done to date in Alzheimer's disease, with the aim that all influential research studies include CogState technology as a means of detecting and measuring cognitive decline
- Commercial launch of Axon Sports neuro cognitive training products
- Further growth in the clinical trials market, including expansion of the services provided with the aim of increasing the number of studies that CogState participates in and/or increasing the total revenue from each study
- Complete relaunch of the branding architecture of the CogState brands to reflect the multidimensional expansion of CogState into new markets.

COGSTATE

CHAIRMAN'S LETTER

DEAR FELLOW SHAREHOLDER, IT IS WITH GREAT PLEASURE THAT THE DIRECTORS OF COGSTATE PRESENT TO YOU THE 2011/12 ANNUAL REPORT. THE LAST YEAR HAS BEEN A SIGNIFICANT ONE IN THE DEVELOPMENT OF COGSTATE. THE REPORT SETS OUT IN DETAIL THE FINANCIAL RESULTS FOR THE 2011/12 YEAR BUT, AS IMPRESSIVE AS THEY ARE, THE FINANCIAL RESULTS FORM ONLY PART OF THE SIGNIFICANT ADVANCEMENTS MADE DURING THE YEAR.

Axon Sports became a 100% owned subsidiary of CogState in August 2011. The acquisition of Axon Sports enabled CogState to secure intellectual property critical to our ambitions in the Sport market, including the Axon Sports Training products, which are set for commercial launch in the 2012/13 year. Additionally, 100% ownership of Axon Sports provided CogState with clear ownership of all intellectual property necessary for commercial launch of the CogState technology in the general practice medicine market.

With the acquisition of Axon Sports, we welcomed Rudy Chapa to the Board of Directors. Rudy's experience with Nike and subsequent entrepreneurial experience make him a valuable addition to the CogState Board. Rudy has been very hands-on in his approach and has worked closely to assist CogState CEO Brad O'Connor and other members of the management team since joining the Board.

Our science team has been at the forefront of developments in Alzheimer's disease over the last year. Our involvement in the Australian Imaging, Biomarker & Lifestyle Flagship Study of Aging (AIBL) has allowed CogState scientists to study the close relationships between biomarkers for amyloid and performance on the CogState tasks and demonstrate its utility as an early screening tool for cognitive decline associated with Alzheimer's disease. This represents a significant opportunity for CogState, we estimate that the market for dementia screening could be worth in excess of US\$500 million per annum. The data from this and other studies have brought CogState to the attention of a number of pharmaceutical companies and others interested in the enormous challenge that the management of Alzheimer's disease represents to healthcare systems around the world.

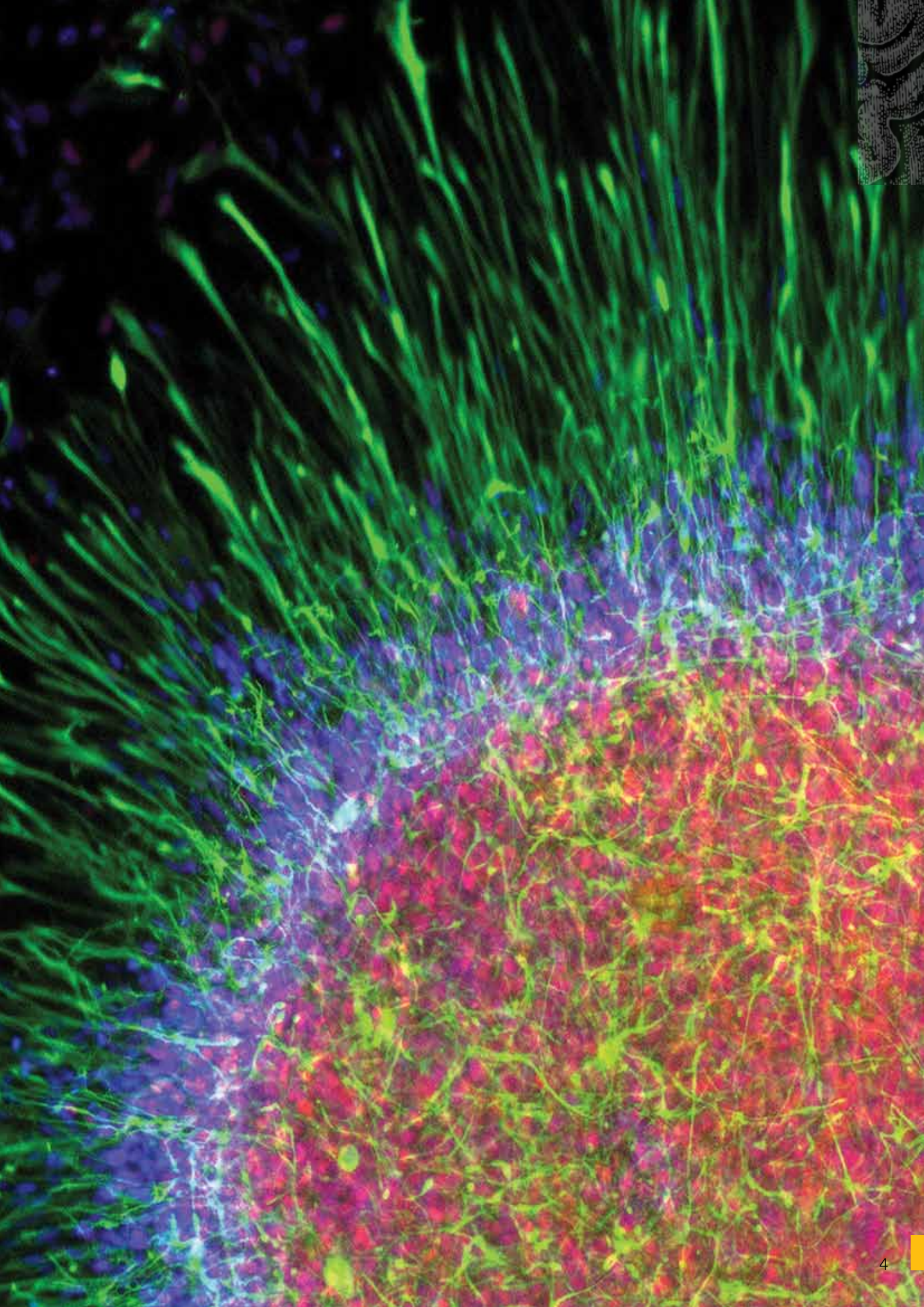
In June 2012, we signed an agreement with international pharmaceutical company Merck that will see our technology utilised in GP clinics across Canada. The initial focus of that testing will be to assist doctors to identify cognitive impairment in patients presenting with a memory complaint. The commercial launch of this product is expected to occur in the 2012/13 financial year.

The 2012/13 financial year promises to be an exciting year for CogState shareholders. It represents the year in which CogState moves from a one-dimensional company focused on clinical trials to a truly multi-dimensional business which leverages our core IP across the clinical trials, sport and mass consumer market segments. With the commercial launch of the CogState technology marketed by Merck in Canada, as well as the commercial launch of the Axon Sports Training products, CogState at the close of the 2013 fiscal year will look very different than the CogState of today. By this time next year, we plan to have made significant progress towards our goal of establishing CogState products as the global standard for measuring, monitoring and improving cognition.

I'd like to take this opportunity to thank the staff of CogState for their hard work and commitment to the growth of this company. I'd also like to thank you, our shareholders, for your continued support.

Yours sincerely

Martyn Myer AO

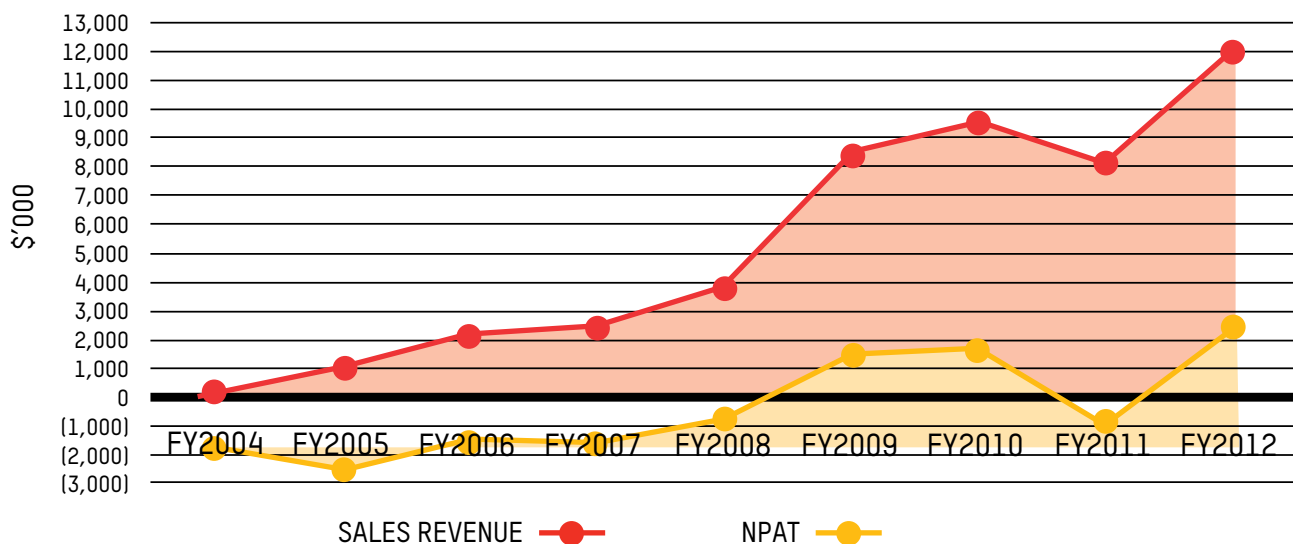


REVIEW OF OPERATIONS

REVIEW

COGSTATE PRODUCED A RECORD FINANCIAL RESULT FOR THE 2011/12 FINANCIAL YEAR. REVENUE WAS UP 48% TO \$12.17 MILLION, PRODUCING A NET PROFIT AFTER TAX OF \$2.45 MILLION.

COGSTATE SALES REVENUE AND PROFITABILITY, BY FINANCIAL YEAR



REVENUE BREAKDOWN – A\$

	GROWTH	30 JUNE 2012	30 JUNE 2011
CLINICAL TRIALS	47.8%	11,794,227	7,979,936
SPORT	43.6%	220,184	153,322
REVENUE FROM CUSTOMERS	47.7%	12,014,411	8,133,258
INTEREST RECEIVED	35.6%	155,663	114,802
TOTAL REVENUE	47.6%	12,170,174	8,248,060

Measured in Australian dollars, CogState recorded a 48% increase in revenue from customers compared to the previous financial year. However on a constant currency basis, the increase in revenue from customers was 51%, as shown below:

	US\$ REVENUE	A\$ REVENUE
30 JUNE 2012 REVENUE FROM CUSTOMERS	\$12.3M	\$12.0M
30 JUNE 2011 REVENUE FROM CUSTOMERS	\$8.1M	\$8.1M
% INCREASE	51%	48%

CLINICAL TRIALS

The Clinical Trials business unit is currently the major revenue producing function within CogState, accounting for 97% of total revenue.

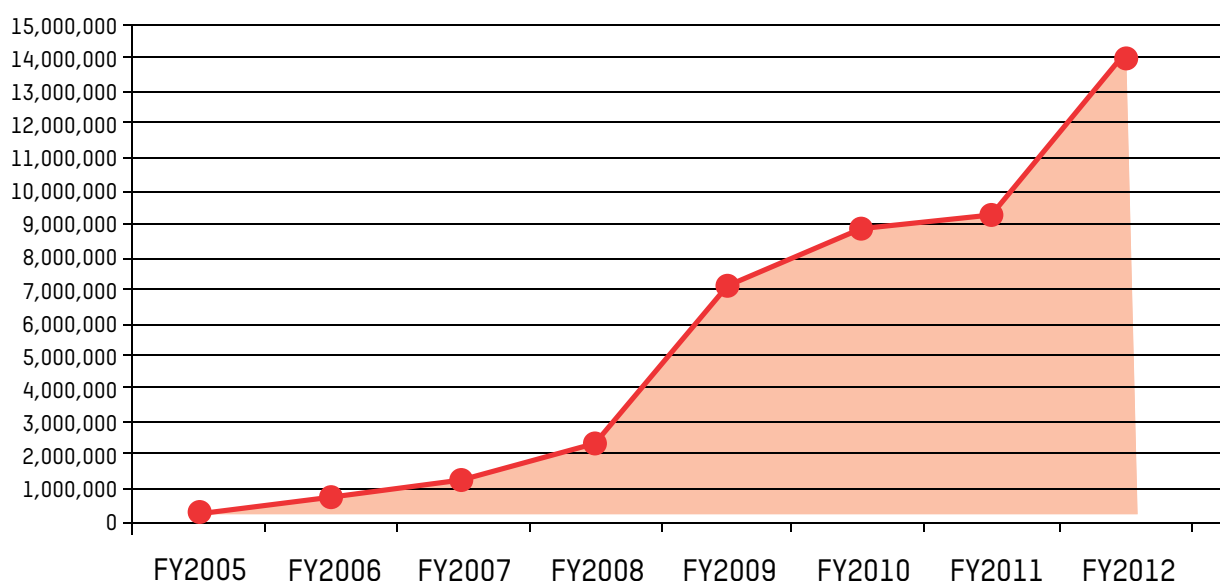
In the clinical drug trial market, CogState technology and associated services are used by pharmaceutical and biotechnology companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials.

Pharmaceutical company customers include Pfizer, GlaxoSmithKline, Merck, AstraZeneca, Bristol Myers Squibb, Johnson & Johnson and Novartis, among others.

In this market, customers enter into a contract for CogState technology and associated services for a specific clinical trial. Each clinical trial will typically be conducted over a period of anywhere between nine and thirty-six months, depending on the size and nature of the clinical trial.

During the 2011/12 year, CogState entered into clinical trial sales contracts to the value of US\$14 million, a 50% increase on the previous year.

COGSTATE CLINICAL TRIAL SALES CONTRACTS US\$



Revenue from clinical trials is recognised over the life of the contract, according to agreed milestones. The 2011/12 increase in revenue from clinical trials was the result of both an increase in sales contracts executed as well as the improved starting position at the beginning of the 2011/12 year.

	30 JUNE 2012	30 JUNE 2011
CLINICAL TRIALS REVENUE CONTRACTED AT 1 JULY	5,649,431	4,812,767
CONTRACTS SIGNED DURING THE YEAR *	13,761,510	8,792,548
REVENUE RECOGNISED **	(11,794,227)	(7,979,936)
FOREIGN EXCHANGE FLUCTUATION ***	221,457	24,052
CLINICAL TRIALS REVENUE CONTRACTED AT 30 JUNE	7,838,169	5,649,431

* - Clinical trials contracts are predominantly denominated in \$US. The value of contracts signed has been converted to \$A at the exchange rates prevailing at 30 June.

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

*** - Prevailing exchange rates - 01/07/2010 A\$1 = US\$0.86; 30/06/2011 A\$1 = US\$1.06; 1/7/2011 A\$1 = US\$1.06; and 30/06/2012 A\$1 = US\$1.02.

Of the \$7,838,169 clinical trials contracted revenue at 30 June, \$5.66m is expected to be recognised by 30 June 2013, \$1.74m is expected to be recognised in the 2014 financial year, \$0.38m in the 2015 financial year and \$0.07m in the 2016 financial year.

KEY STAFF ADDITIONS

CogState has made three important additions to the science team dedicated to the clinical trials business unit.

JUDITH JAEGER PHD

has joined CogState as Senior Scientist and VP for Clinical Trials. Professor Jaeger is Clinical Professor of Psychiatry and Behavioural Science at Albert Einstein College of Medicine in New York and Adjunct Professor in the CUNY Doctoral program in Neuropsychology. She brings over 25 years' experience in clinical and experimental neuropsychology and psychopathology working at NYU school of Medicine, the Nathan Kline Institute for Psychiatric Research and at North Shore LIJ. Her research was funded by numerous foundation and NIMH grants and reported in over 50 peer-reviewed publications, an edited journal special edition and a book.

In 2006, Prof. Jaeger joined AstraZeneca where she worked globally on all phases (Ib through IV) of drug development in Alzheimer's disease, schizophrenia, bipolar disorder and depression. She also served as a company-wide consultant on cognition measurement for central nervous system (CNS) safety outcome measurement across all therapy areas. She represented AstraZeneca in regulatory interactions with the United States Food and Drug Administration (FDA) and Pharmaceutical and Medical Devices Agency Japan (PMDA) and also in a wide range of consortium activities, including MATRICS-CT, where she was elected industry partner co-chair during the development of a new co-primary measure.

AMY E VEROFF PHD

has joined CogState as Consultant Neuropsychologist and clinical trials expert. With more than 30 years' experience in clinical and research settings, she is licensed in Massachusetts, Maryland, and California. She previously held a clinical appointment in the Neurology Department at Boston University

Medical School and an academic appointment in the Department of Psychiatry and Behavioral Sciences at Johns Hopkins University Medical School, providing clinical services, teaching medical students, graduate students in psychology and post-doctoral fellows, and researching dementia and other neuropsychiatric disorders. At Johns Hopkins, she was principal investigator of a grant studying the dementia syndromes of Huntington's and Alzheimer's diseases.

Dr. Veroff has provided specialized services related to the use of scales in clinical drug trials for nearly 25 years, and established and led a global clinical research organization(CRO) division providing these services. Under Dr. Veroff's leadership, the group provided rater training programs, quality control of study data, translation, harmonization, and cultural adaptation of scales, cognitive testing technology, and other related scales services for more than 200 clinical trials, training more than 20,000 raters worldwide.

LISIE KINGERY PHD

joins our team as Senior Clinical Scientist in CogState Clinical Trials. Dr. Kingery is a licensed psychologist with over 15 years' clinical and research experience in clinical psychology and neuropsychology. Dr. Kingery completed a PhD in clinical psychology at the University of Maine, an internship in clinical neuropsychology at the Ann Arbor VA Healthcare System/University of Michigan, and a postdoctoral fellowship in clinical neuropsychology at Johns Hopkins University School of Medicine in the Division of Medical Psychology, Department of Psychiatric and Behavioral Sciences.

After teaching neuropsychological assessment and biopsychology for one year at Loyola University of Maryland, Baltimore, Dr. Kingery joined the Clinical Training and Assessment division of i3 research in 2006. During his six years at i3, Dr. Kingery advanced to Scientific Director and contributed to both the operational and scientific components of clinical assessment services in global clinical trials.

AXON SPORTS

2012 KEY MILESTONES

DURING FY2012, AXON SPORTS ALIGNED THE BUSINESS EFFORTS OF BOTH THE CONCUSSION BASELINE TESTING (CCAT) AND COGNITIVE TRAINING (AXON POTENTIAL) BUSINESSES UNDER ONE BUSINESS UNIT. AS PART OF THIS MOVE, JASON SADA WAS NAMED PRESIDENT OF AXON SPORTS.

IMPLEMENTATION OF ITS CCAT TESTING PROGRAMS WITH TWO OF THE MAJOR PROFESSIONAL SPORTS LEAGUES WITHIN THE UNITED STATES.

These are in addition to the 11 international sports leagues currently using Axon Sports/ CogState Sport.

Launch of an innovative co-marketing/ sponsorship program with Toyota in Australia that leverages Toyota's official sponsorship of the AFL and provides for the broad distribution of the Axon CCAT to youth football clubs throughout Australia.

ESTABLISHMENT OF KEY STRATEGIC PARTNERSHIPS WITHIN THE CCAT BUSINESS WITH:

United States Youth Soccer (USYS), the largest member of the United States Soccer Federation, with a registration of over 3,000,000 youth players between the ages of five and nineteen.

American Youth Football (AYF), an independent non-profit corporation that provides support services, training, scholarships, grants, community programs and tournaments to over one million members in 50 states and several countries worldwide.

Korrio and Sports Signup , two of the primary providers of team management web services, with the full integration of the Axon CCAT into their team management and athlete registration processes for youth teams in soccer and American Football.

Development of first generation cognitive training programs for elite level athletes, launched in January at Axon Sports' first elite cognition lab, located in the flagship facility of Athletes Performance in Phoenix, Arizona. Athletes' Performance is a worldwide leader in providing integrated performance training to elite athletes, and the lab there will serve as Axon Sports primary hub for advanced research and development of future products.

Axon Sports assessed and trained the cognitive function of over 50 professional athletes in Baseball and American Football, and the Athletic Brain Trainers (ABTs) developed for these elite athletes are slated for mass market introduction in FY 2013.

Conclusion of a strategic marketing partnership with Easton, a leading provider of baseball equipment, which leverages Easton's extensive resources and relationships to introduce the Axon baseball ABTs at all levels of the sport, beginning with a joint launch at the Little League World Series, and moving on to collaborations with influential college and high school programs.



KEY STAFF ADDITIONS

JOE GERMAINE SPORTS SYSTEMS SPECIALIST

Seasoned Athlete Joe Germaine joined Axon Sports in February 2012. Prior to Axon Sports, Joe played in the NFL for five seasons, with the St. Louis Rams and the Kansas City Chiefs. Joe was back-up Quarter Back (QB) to Kurt Warner on the 1999 St. Louis Rams team that won Super Bowl 34. After his career in the NFL, Joe played five seasons in the Arena Football League and was the first QB in AFL history to throw for over 5,000 yards in a season. His collegiate career took place at The Ohio State University where he was a three year letter winner. During that time, Joe was a part of two Big-10 Championship teams, as well as a Sugar Bowl Champion and a Rose Bowl Champion. In the 1997 Rose Bowl, Joe was awarded MVP honours.

As part of the Axon Sports training business, Joe is currently focussed on the successful launch of the Axon Sports elite sports team labs. In that role his extensive sports background assists in the integration of Axon Sports training system with the existing training programs, including bespoke customisation of the Axon Sports training product to meet specific team training needs. In the coming year, Joe will also be involved in the commercial launch of the Axon Sports consumer training products as well as the lab commercialisation strategies.

DR. JASON CROMER PH.D. LEAD COGNITIVE NEUROSCIENTIST AXON SPORTS

Dr. Cromer is responsible for scientific operations for Axon Sports. He also coordinates technology development and issue resolution between Axon Sports and CogState.

Prior to taking the position of Lead Cognitive Neuroscientist at Axon Sports, Dr. Cromer completed a postdoctoral fellowship in Cognitive Neuropsychology and Neurophysiology at the Picower Institute for Learning and Memory and the department of Brain and Cognitive Sciences at the Massachusetts Institute of Technology, with independent grant funding through the National Institutes of Health. Dr. Cromer received additional postdoctoral training in epilepsy from the department of Neurology at the Yale University School of Medicine before joining CogState. His research regarding the neural basis of cognition and movement is published in top tier neuroscience journals. While at MIT, Dr. Cromer also collaborated and published with Dr. Maruff of CogState on research related to the effects of alcohol on cognition. Dr. Cromer holds a B.S. in Computer Science from Lafayette College and a Ph.D. in Biomedical Science with a concentration in Neuroscience from the University of Connecticut.





axon FOOTBALL

QB

DIGITAL SKILLS TRAINER

START

COGSTATE & ALZHEIMER'S DISEASE

ALZHEIMER'S DISEASE IS A RAPIDLY EXPANDING GLOBAL HEALTH CRISIS, CHANGING THE LIVES OF MILLIONS OF PEOPLE, EXACTING A MASSIVE ECONOMIC TOLL AND STRAINING HEALTHCARE SYSTEMS WORLDWIDE.

It is estimated that more than 35 million people already have dementia worldwide, including Alzheimer's disease. Without improvements in care and the rapid aging of the global population, global costs will rise 85% to more than US\$1 trillion by 2030(1).

Lack of awareness and understanding of Alzheimer's disease is a global problem, and it remains underdiagnosed and undertreated(1). A diagnosis is often not made until well after symptoms appear(2).

The symptoms of Alzheimer's disease advance from minor memory loss to increasingly disabling dementia, and we now understand that biological changes in the brain (e.g. accumulation of beta-amyloid plaque occur long before symptoms emerge(3)(4). Alzheimer's Disease International suggests that people seek medical attention by pursuing formal testing immediately upon noticing even a slight deterioration in memory, language or other cognitive abilities(5).

Early diagnosis of dementia enables people to make important decisions about their future with their families while they still have the capacity to do so(5). Research consistently demonstrates that active medical management from the earliest stages of the disease can significantly improve the quality of life for people with the disease(6).

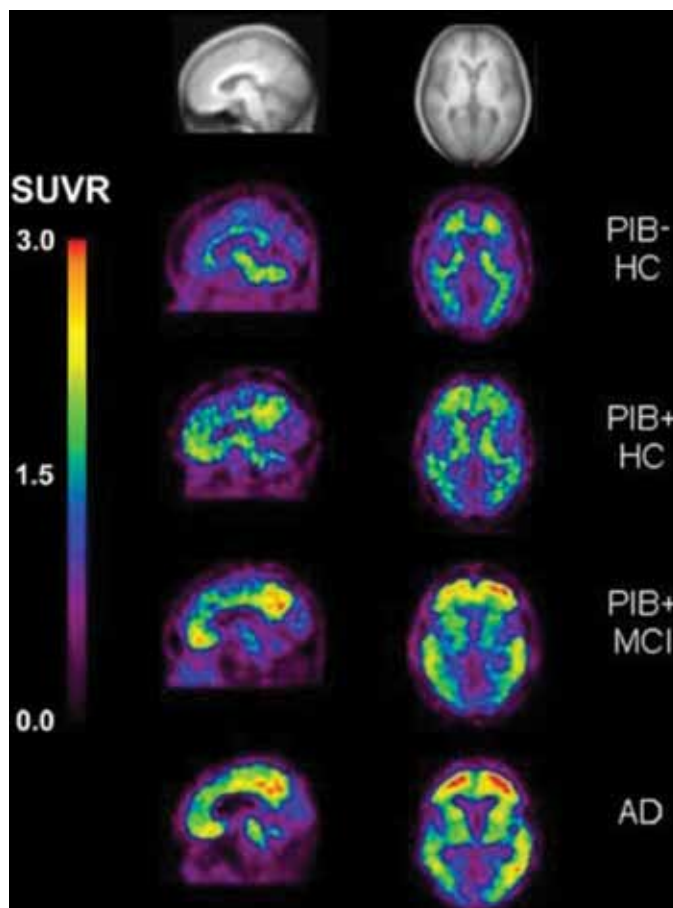
CogState technology can be deployed as a simple but accurate screening tool that can be quickly administered (12-15 minutes), and provides reliable, objective data about key cognitive functions to help healthcare providers identify early signs of Alzheimer's disease, allowing for timely diagnosis. CogState's partnership with Merck in Canada is based upon the potential for the CogState technology to be used in exactly this way.

COGSTATE IS AT THE FOREFRONT OF ALZHEIMER'S DISEASE RESEARCH. BELOW IS A DESCRIPTION OF A SAMPLE OF THE IMPORTANT RESEARCH STUDIES THAT ARE UTILISING COGSTATE TECHNOLOGY:

The Australian Imaging, Biomarker & Lifestyle Flagship Study of Aging (AIBL)

Throughout 2011-2012 CogState scientists, statisticians and computer scientists continued the work that forms the foundation for the collaboration between CogState and the large academic and industry consortium that runs the AIBL study (<http://www.aibl.csiro.au>). The AIBL study is run in Melbourne and Perth, launched on 14 November 2006 and is following more than 1200 people over the age of 60 years with assessments every 18 months, using neuroimaging, clinical, lifestyle and diet and biological technologies to identify and understand the earliest changes in the development of Alzheimer's disease. During 2010-2011 the 54 month assessment of the AIBL cohort commenced, with assessments complete by the end of 2012.

CogState computerized cognitive tests form part of the extensive assessments associated with the study, and participation in this world leading study has allowed us to develop a firm understanding of the nature of cognitive impairment in the early stages of Alzheimer's disease, and the extent to which aspects of cognition change, or remain stable, over time in older people. Most importantly, participating in the study has allowed us to understand the relationships between performance on the CogState tests and biomarkers for amyloid.



The AIBL study is the largest study in the world involving Positron Emission Tomography (PET) scans using Pittsburgh Compound-B (PIB), a PET amyloid imaging agent.



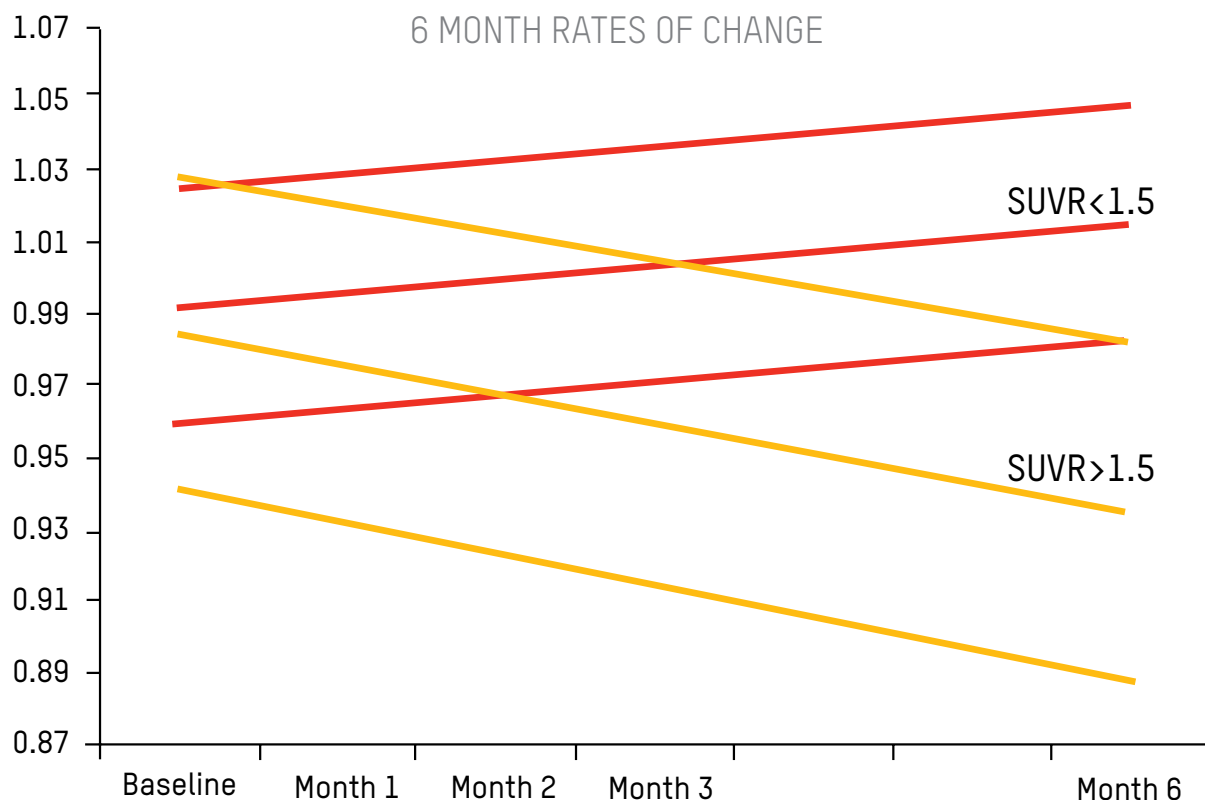
CRC for Mental Health

NEURODEGENERATION COOPERATIVE RESEARCH CENTRE

In the 2011-2012 year CogState participated as an industry partner in successful establishment of the cooperative research centre (CRC) for Mental Health (<http://www.mentalhealthcrc.com>) under the Cooperative Research Centres (CRC) Program, an Australian Government Initiative administered by the Department of Industry, Innovation, Science, Research and Tertiary Education. The CRC represents a large group of researchers from universities, pharmaceutical companies, biotechnology companies, hospitals and health care providers to conduct end-user driven research collaborations to address major challenges in the diagnoses, management and treatment of neurological and psychiatric disorders in Australia. The CRC for Mental Health researches early detection and treatment of neurodegenerative diseases and psychoses, specifically those in Alzheimer's and Parkinson's Disease, in schizophrenia and in mood disorders. In this CRC, scientists, statisticians and technology teams from CogState are highly involved in the assessment and analysis of cognitive function across all areas of the CRC, and CogState will benefit from having access to data from these research areas as well as access to new technologies that arise from them.

RATE OF CHANGE STUDY (ROCS)

In 2011-2012 the collaborative study between Astra Zeneca, CogState and the AIBL group termed the AIBL-ROCS study continued. The AIBL-ROCS study is designed to obtain high frequency reassessments (i.e. each month) of cognitive function from people who are enrolled in the AIBL study (where assessments otherwise occur every 18 months). Although the assessments with the CogState technology are very brief, the high frequency allows appreciation for very subtle changes in memory and other aspects of cognition that can occur early in Alzheimer's disease. The design of the AIBL ROCS study is well suited to informing the development of experimental medicine programs for the identification and testing of drugs for the treatment of AD and other neurodegenerative diseases. Data from the AIBL ROCS study have already been accepted for publication, and recruitment and testing continues. This is the first study of its kind in the world, and it promises to provide much important information about cognitive function in both normal aging and Alzheimer's disease.



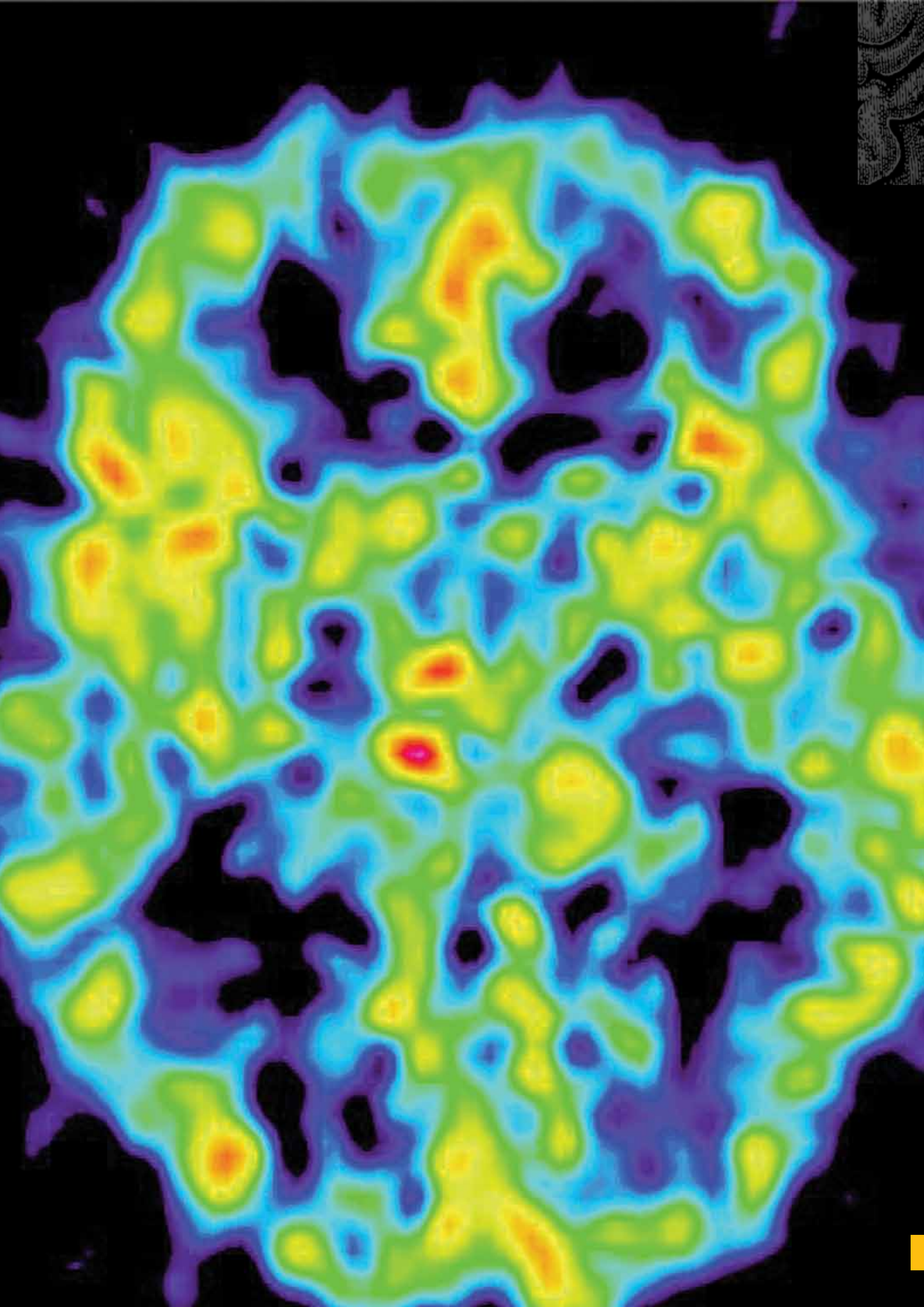
Quantitative analysis of PIB retention requires normalisation of the PIB uptake levels, to allow inter and intra subject comparisons – referred to as the standard uptake value ratio or SUVR.

Data from the ROCS study has shown that, even in healthy people, higher levels of PIB retention (SUVR greater than or equal to 1.5) is associated with a large decrease in memory, as measured by the CogState tasks, even over a very short time frame (e.g. six months).

PHARMACEUTICAL INDUSTRY SPONSORED CLINICAL TRIALS OF NEW MEDICINES

CogState works consistently in the pharmaceutical industry, where CogState technologies are used in clinical trials of new medicines designed to improve cognitive function in people with brain disease. As a consequence of this work, CogState is developing a greater understanding of the relative sensitivity of CogState technologies to drug effects in AD, as well as how these technologies compare to the standard clinical and neuropsychological measures that have been used previously. In 2011-2012, two important phase II studies of the effects of cognitive enhancers in patients with mild to moderate AD were reported. Both of these studies showed that the CogState tests were more sensitive to drug effects than the Alzheimer's Disease Assessment Scale- Cognition (ADAS-Cog). In the first study, treatment with an experimental compound that facilitates action of histamine in the brain improved memory and attention in older adults with mild to moderate dementia. In the second study, treatment with donepezil improved performance on memory tests from the CogState battery, but not the ADAS-cog. There is growing acceptance in the pharmaceutical industry and the scientific community that some of the recent failures of experimental drugs in studies of AD were due to the outcome measures in the clinical trials being too insensitive to detect beneficial effects. The data from these trials supports this idea and suggests strongly that CogState technology would be a useful tool in the development of new drugs for AD.

- (1) Alzheimer's Disease International. World Alzheimer's Report 2010: The Global Economic Impact of Dementia. <http://www.alz.co.uk/research/files/WorldAlzheimerReport2010.pdf>
- (2) Bond J et al. Inequalities in dementia care across Europe: key findings of the Facing Dementia Survey. *Int J Clin Pract.* 2005 Mar;95 (Suppl.146):8-14
- (3) Cummings JL. Biomarkers in Alzheimer's disease – perspectives for the future. *Touch Briefings.* 2010;23-27
- (4) Gold TE. Disease modifying therapy for AD? *J Neurochem.* 2006;(3):689-707
- (5) Alzheimer's Disease International. World Alzheimer Report 2011: the benefits of early diagnosis and intervention. <http://www.alz.co.uk/research/WorldAlzheimerReport2011.pdf>
- (6) Alzheimer's Association. 2012 Alzheimer's disease facts and figures. *Alzheimer's and Dementia: The Journal of the Alzheimer's Association.* March 2012; 8:131-168



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These financial statements are the consolidated financial statements of the consolidated entity consisting of CogState Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

Its registered office is: **CogState Limited, Level 2, 255 Bourke Street Melbourne Vic 3000**

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report.

The financial statements were authorised for issue by the directors on 21 August 2012. The directors have the power to amend and reissue the financial statements.

CORPORATE INFO

DIRECTORS

Martyn Myer AO, BE, MESc, MSM Chair

Brad O'Connor B Bus

David Simpson BA (Honours) FAICD

Richard van den Broek CFA

Rodolfo Chapa LLB

SECRETARY

Claire Newstead-Sinclair BBus, CA

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 255 Bourke Street Melbourne Vic 3000 Australia

SHARE AND DEBENTURE REGISTER

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

AUDITOR

Pitcher Partners Level 19, 15 William Street Melbourne Vic 3000

SOLICITORS

Clayton Utz 333 Collins Street Melbourne Vic 3000

BANKERS

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

WEBSITE

www.cogstate.com

DIRECTORS' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY

(referred to hereafter as the Group) consisting of CogState Limited and the entities it controlled at the end of, or during, the year ended 30 June 2012 and the auditor's report thereon.

This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

The following persons were directors of CogState Limited during the whole of the financial year and up to the date of this report:

Martyn Myer
Brad O'Connor
David Simpson
Richard van den Broek

Rodolfo Chapa was appointed as a director on 24 August 2011 and continues in office at the date of this report.

INFORMATION ON DIRECTORS

MARTYN MYER

AO, BE, MESC, MSM.

Chair - Non-Executive Director.

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 Retired 16 November 2011
- 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

Mr Myer is also a director of CogState Inc., CogState Sport Inc., Axon Sports Pty Ltd and CogState Canada Inc.

BRAD O'CONNOR

B BUS

Chief Executive Officer

Managing Director & Chief Executive Officer since December 2005.

Mr O'Connor 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.

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 O'Connor is also a director of CogState Inc., CogState Sport Inc., CogState Canada Inc, Axon Sports Pty Ltd and Axon Sports LLC.

DAVID SIMPSON

BA (HONOURS) FAICD

Non-Executive Director

Mr Simpson is an independent non-executive Director. 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 Simpson is also a director of CogState Inc., CogState Sport Inc and Axon Sports LLC.

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

RODOLFO CHAPA

LLB

Non-Executive Director

Mr Chapa is an independent non-executive Director appointed on 24 August 2011. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Mr Chapa is also a principal of US-based Quixote Investment LLC.

Mr Chapa previously served as V.P. and global director of sports marketing and V.P. of Nike.com at Nike Inc. He left Nike in 2001 to pursue his own entrepreneurial interests. Through a controlling interest in BC Sports in 2003, Quixote acquired controlling interest in Student Sports, a Los Angeles based sports marketing firm, and in 2004, Quixote founded SPARQ. SPARQ (Speed, Power, Agility, Reaction and Quickness) became the standardised test for athleticism as well as leading manufacturer of athletic training

equipment and programs. The test, called the SPARQ Rating, is a sport specific assessment of athleticism with unique testing protocols for six sports including; American football, soccer, baseball, basketball and general athleticism. ESPN acquired Student Sports in 2008 and SPARQ was sold to Nike in 2009 for an undisclosed sum.

Mr Chapa is also a director of Axon Sports LLC.

COMPANY SECRETARY

The company secretary is Ms Claire Newstead-Sinclair BBus, CA. Ms Newstead-Sinclair was appointed to the position of company secretary in 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	14,109,259	1,366,305
MR BRAD O'CONNOR	2,457,825	2,670,000
MR DAVID SIMPSON	607,538	415,000
MR RICHARD VAN DEN BROEK	3,320,000	150,000
MR RODOLFO CHAPA	12,961,831	100,000

PRINCIPAL ACTIVITIES

The Group's principal continuing activity 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 CogState technology and associated services are utilised in three market segments; clinical trials, sports and general practice medicine.

In the clinical trials segment, 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.

In the sports market, the same technology is used to help doctors to determine when an athlete has recovered from a concussive brain injury. Additionally in the sports market, CogState has been developing and beta-testing neuro-cognitive training products.

In general practice medicine, the tests are used by primary care physicians to monitor for cognitive decline over time.

There was no significant change in the nature of the activity of the Group during the year.

REVIEW OF OPERATIONS

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

CogState has four primary offices, an Australian office based in Melbourne, Victoria, a USA office based in New Haven, Connecticut, a USA based office in Wausau, Wisconsin and a USA based office in Phoenix, Arizona. Staff who are not based in any of these offices work remotely.

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

In May 2010, CogState Inc. incorporated CogState Sport Inc. for investment in Axon Sports LLC.

In August 2011, CogState Sport Inc acquired the remaining 50% in Axon Sports LLC.

In November 2011, CogState Ltd incorporated a wholly owned subsidiary, Axon Sports Pty Ltd.

In February 2012, CogState Ltd incorporated a wholly owned subsidiary, CogState Canada Inc.

CogState Limited, CogState Inc., CogState Sport Inc., Axon Sports LLC, Axon Sports Pty Ltd and CogState Canada Inc. form the Group.

OPERATING RESULTS FOR THE YEAR A SUMMARY OF CONSOLIDATED REVENUE AND RESULTS IS SET OUT BELOW:

	FIRST HALF JUL - DEC 2011 \$	SECOND HALF JAN - JUN 2012 \$	FINANCIAL YEAR 2012 \$	FINANCIAL YEAR 2011 \$
RECOGNISED SALES REVENUE	6,941,132	5,073,279	12,014,411	8,133,258
REVENUE FROM PRINCIPAL ACTIVITIES	6,941,132	5,073,279	12,014,411	8,133,258
COST OF GOODS SOLD	(1,994,449)	(2,380,714)	(4,375,163)	(3,753,032)
GROSS PROFIT FROM PRINCIPAL ACTIVITIES	4,946,683	2,692,565	7,639,248	4,380,226

Expenses Relating To Principal Activities

EMPLOYEE BENEFITS EXPENSE	(1,062,011)	(1,994,517)	(3,056,528)	(2,665,767)
GENERAL ADMINISTRATION	(661,493)	(329,518)	(991,011)	(666,327)
TRAVEL EXPENSES	(218,826)	(445,752)	(664,578)	(404,872)
OTHER	(435,887)	(1,014,276)	(1,450,163)	(735,087)
TOTAL EXPENSES OF PRINCIPAL ACTIVITIES	(2,378,217)	(3,784,063)	(6,162,280)	(4,472,053)
NET PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES	2,568,466	(1,091,498)	1,476,968	(91,827)

Other Revenue/(Expenses)

OTHER REIMBURSEMENT OF COSTS FROM AXON SPORTS LLC	138,474	-	138,474	-
REVALUATION OF INITIAL INVESTMENT IN AXON SPORTS	1,268,480	-	1,268,480	-
FINANCE INCOME	68,065	87,598	155,663	114,802
NET FOREIGN EXCHANGE GAIN/(LOSS)	108,495	(42,465)	66,030	(203,270)
OTHER	(874)	-	(874)	(8,490)
OTHER INCOME	-	432	432	-
NON-RECURRING CONTRACT TERMINATION FEES	(42,904)	-	(42,904)	(126,240)
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	(31,100)	65,077	33,977	56,018
SHARE OF PROFIT/(LOSS) FROM JOINT VENTURE	(252,718)	-	(252,718)	(625,642)
FINANCE EXPENSES	(26,365)	(24,866)	(51,231)	(33,752)
TOTAL OTHER REVENUE/(EXPENSES)	1,229,553	85,776	1,315,329	(826,574)
OPERATING PROFIT/(LOSS) FROM OPERATIONS, BEFORE INCOME TAX	3,798,019	(1,005,722)	2,792,297	(918,401)
INCOME TAX CREDIT/(EXPENSE) ATTRIBUTABLE TO OPERATING RESULT	(396,133)	55,798	(340,335)	72,195
PROFIT/(LOSS) FROM OPERATIONS, AFTER INCOME TAX	3,401,886	(949,924)	2,451,962	(846,206)

DIVIDENDS

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2011: \$nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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. Further detail is provided in note 29.

The 100% control of Axon Sports allowed CogState to utilise the Axon Sports online testing and associated materials to pursue the sports concussion markets outside North America as well as putting CogState 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.

There have been no other significant changes in the state of affairs of the Group during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

CogState will focus on three markets for its technology throughout the 2013 financial year:

1. Clinical Trials
2. Sport
3. Primary care physicians

In the coming year we will broaden our horizons as we seek to make CogState the gold-standard for cognitive assessment, training and rehabilitation in every setting; in academic studies, in clinical trials, in sports and in general practice medicine.

In Clinical Trials, CogState will seek to expand its offering in the market, whilst continuing to expand its customer base.

In Sport, CogState will continue to support the sales efforts of Axon Sports through both computerised cognitive assessment tools and skill training for athletes, which are set for commercial launch in the 2013 financial year.

In general practice medicine, CogState will roll out its technology in Canada, in collaboration with Merck Canada, as a tool for primary care physicians to assess cognitive decline.

The results of the Group, revenue and profit, will continue to be impacted by movements in the Australian dollar, relative to the USA dollar.

ENVIRONMENTAL REGULATION

The Group is not affected by any significant environmental regulation in respect of its operations.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES			
			AUDIT & COMPLIANCE		REMUNERATION & NOMINATION	
	ATTENDED	ELIGIBLE TO ATTENDED	ATTENDED	ELIGIBLE TO ATTENDED	ATTENDED	ELIGIBLE TO ATTENDED
MARTYN MYER	8	8	3	3	1	1
BRAD O'CONNOR	8	8				
DAVID SIMPSON	8	8	3	3	1	1
RICHARD VAN DEN BROEK	8	8	3	3	1	1
RODOLFO CHAPA	6	6	2	2	1	1

Audit & Compliance

Martyn Myer (c)
David Simpson
Richard van den Broek
Rodolfo Chapa

Remuneration & Nomination

Martyn Myer (c)
David Simpson
Richard van den Broek
Rodolfo Chapa

UNISSUED SHARES

As at the date of this report, there were 11,622,979 unissued ordinary shares under employee options, as well as a further 4,241,775 unissued shares under investor options. Refer to the remuneration report and Note 27 of the financial report for further details of the employee 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.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of CogState Limited were issued during the year ended 30 June 2012 on the exercise of options granted under the CogState Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

DATE OPTIONS GRANTED	ISSUE PRICE OF SHARES	NUMBER OF SHARES ISSUED
7/7/2011	\$0.1027	29,214
8/7/2011	\$0.1027	128,889
21/7/2011	\$0.1027	29,167
25/7/2011	\$0.1027	81,489
26/7/2011	\$0.1027	47,400
27/7/2011	\$0.1027	194,742
28/7/2011	\$0.1027	88,588
15/9/2011	\$0.1027	30,000
4/10/2011	\$0.1027	92,500
24/10/2011	\$0.1027	30,000
17/11/2011	\$0.2400	12,500
		764,489

INSURANCE OF 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. Under the policy, the Company cannot release to any third party or otherwise publish the amount of the premium. Accordingly, the Company relies on section 300 (9) of the Corporations Act to exempt it from the requirement to disclose the premium amount of the relevant policy.

NON-AUDIT SERVICES

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2012 \$	2011 \$
Taxation services		
Pitcher Partners firm:		
Tax compliance services	21,766	-
Total remuneration for taxation services	21,766	-
Other services		
Related practices of Pitcher Partners	10,526	-
Total remuneration for non-audit services	32,292	-

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out below.



AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of CogState Limited.

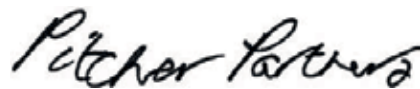
In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

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



K L BYRNE
Partner

21 August 2012



PITCHER PARTNERS
Melbourne

REMUNERATION REPORT

THE DIRECTORS ARE PLEASED TO PRESENT YOUR COMPANY'S 2012 REMUNERATION REPORT

The directors are pleased to present your company's 2012 remuneration report which sets out remuneration information for CogState Limited's non-executive directors, executive directors and other key management personnel.

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.

DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

NAME	POSITION
Other Key Management Personnel	
PROF PAUL MARUFF	CHIEF SCIENTIFIC OFFICER
SOPHIE EGHOLM	HEAD OF OPERATIONS
DALE FRASER	CHIEF TECHNOLOGY OFFICER
ROGER O'SULLIVAN	GENERAL COUNSEL
ASSOC PROF DAVID DARBY *	CHIEF MEDICAL OFFICER
DR JOHN HARRISON **	PRINCIPAL SCIENTIST

Non-executive and executive directors - see pages 21 to 23 above

* Associate Professor David Darby resigned his position on 1 July 2011.

** Dr John Harrison resigned his position on 31 August 2011.

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.

ROLE OF THE 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 POLICY

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 2012 is detailed later in this report.

EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

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.

BASE PAY AND BENEFITS

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.

SHORT-TERM INCENTIVES (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. For the 2012 financial year, STI payments were based on 50% individual KPI's and 50% company profitability targets. The company profitability targets are tiered levels above the budgeted profit target for the year. 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.

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, one third of the options are exercisable on the second anniversary of the date of the grant. The remaining two thirds of the options are exercisable after the following 12 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.

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.

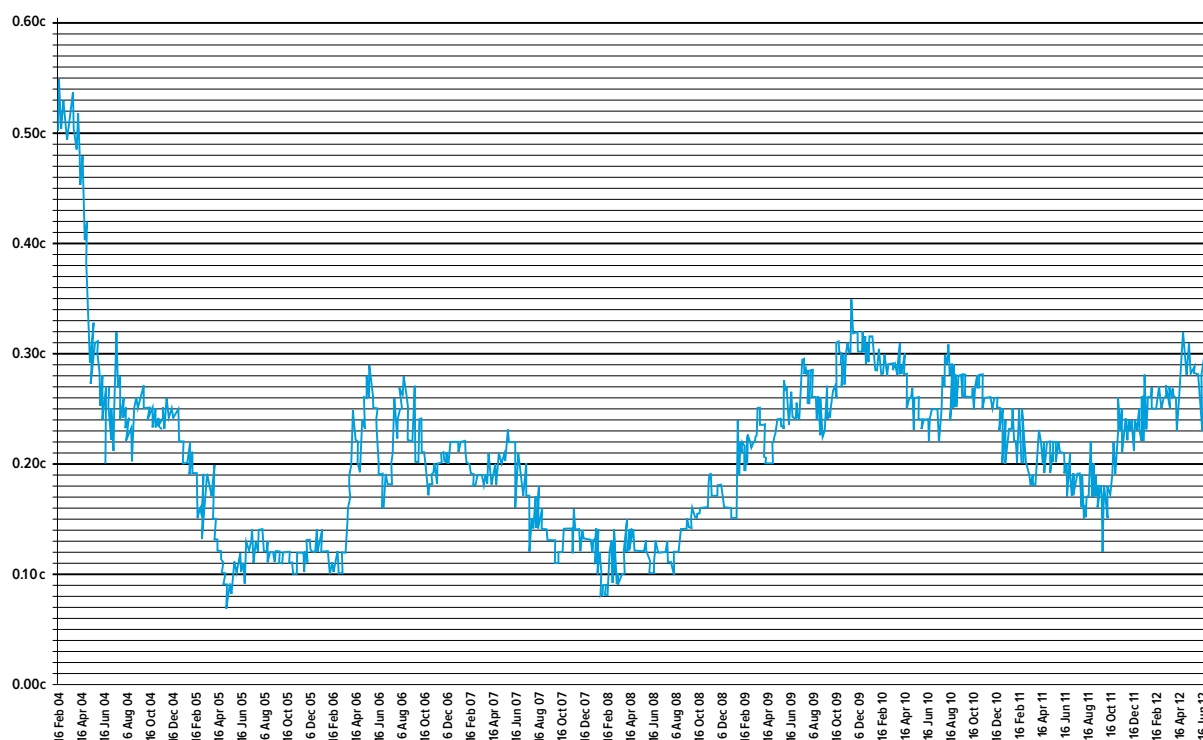
VOTING AND COMMENTS MADE AT THE COMPANY'S 2011 ANNUAL GENERAL MEETING

CogState Limited received more than 95% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

PERFORMANCE OF COGSTATE LIMITED

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

COGSTATE SHARE PRICE



DETAILS OF REMUNERATION 2012

Name Non-executive directors	Short-term employee benefits			Post-employment benefits	Long term benefits		Share based payments	
	Cash salary & fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$
M MYER	70,642	-	-	6,358	-	-	13,372	90,372
D SIMPSON	3,321	-	-	49,999	-	-	10,315	63,635
R VAN DEN BROEK	40,170	-	-	-	-	-	6,116	46,286
R CHAPA	10,043	-	-	-	-	-	2,205	12,248
SUB-TOTAL NON-EXECUTIVE DIRECTORS	124,176	-	-	56,357	-	-	32,008	212,541
Executive Directors								
B O'CONNOR	263,393	285,053	-	15,775	7,395	-	31,495	603,111
Other Key Management Personnel (Group)								
P MARUFF	232,141	210,000	27,749	15,775	9,019	-	25,873	520,557
S EGHOLM	186,475	91,611	-	7,271	-	-	34,213	319,570
D FRASER	173,258	95,500	-	15,771	25,534	-	12,467	322,530
R O'SULLIVAN	170,847	32,591	-	5,632	-	-	11,030	220,100
J HARRISON	35,359	-	-	-	-	-	3,788	39,147
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION (GROUP)	1,185,649	714,755	27,749	116,581	41,948	-	150,874	2,237,556

* Bonuses are accrued at 30 June and paid in July of the following financial year.

DETAILS OF REMUNERATION 2011

Name Non-executive directors	Short-term employee benefits			Post-employment benefits	Long term benefits		Share based payments	
	Cash salary & fees \$	Cash bonus \$	Non-monetary benefits \$	Superannuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$
M MYER	70,642	-	-	6,358	-	-	16,189	93,189
D SIMPSON	251	-	-	49,999	-	-	14,498	64,748
R VAN DEN BROEK	33,475	-	-	-	-	-	3,384	36,859
R MORGAN	39,000	-	-	-	-	-	14,498	53,498
M WOOLDRIDGE	35,780	-	-	3,220	-	-	14,489	53,498
SUB-TOTAL NON-EXECUTIVE DIRECTORS	179,148	-	-	59,577	-	-	63,067	301,792
Executive Directors								
B O'CONNOR	262,901	69,525	-	15,199	5,908	-	46,009	399,542
Other Key Management Personnel (Group)								
P MARUFF	234,427	44,119	23,347	15,199	6,136	-	37,336	360,564
S EGHOLM	170,126	33,034	-	6,552	-	-	36,434	246,146
D DARBY	225,539	-	-	20,599	4,180	127,984	20,696	398,998
J HARRISON	147,955	-	-	-	-	-	31,875	179,830
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION (GROUP)	1,220,096	146,678	23,347	117,126	16,224	127,984	235,417	1,886,872

* Bonuses are accrued at 30 June and paid in July of the following financial year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

CONSOLIDATED

Non-Executive Directors of CogState Limited	STI		LTI *	
	2012 %	2011 %	2012 %	2011 %
M MYER	-	-	15	17
D SIMPSON	-	-	16	22
R VAN DEN BROEK	-	-	13	9
R CHAPA	-	-	18	-
R MORGAN	-	-	-	27
M WOOLDRIDGE	-	-	-	27
Executive Directors Of Cogstate Limited				
B O'CONNOR	47	17	5	12
Other Key Management Personnel Of The Group				
P MARUFF	40	12	5	10
S EGHOLM	29	13	11	15
D FRASER	30	-	4	-
R O'SULLIVAN	15	-	5	-

* Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

SHARE-BASED COMPENSATION REMUNERATION OPTIONS: GRANTED AND VESTED DURING THE YEAR

During the financial year, options were granted as equity compensation benefits to certain key management personnel. 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 two years. The remaining two thirds can be exercised after the following year. 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.

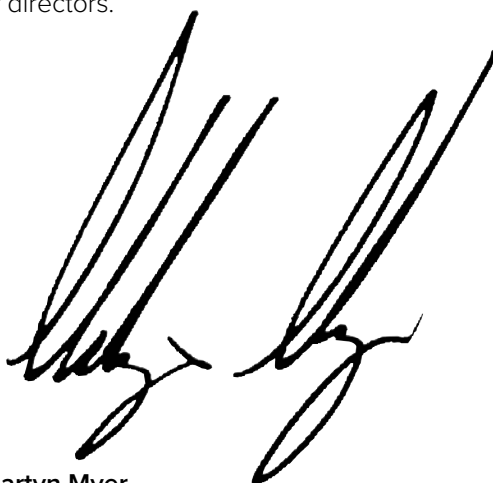
Options are calculated at fair value using a binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price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

For further details relating to the options, refer to note 27.

Directors	VESTED NUMBER	GRANTED NUMBER	GRANT DATE	FAIR VALUE PER OPTION GRANT DATE	EXERCISE PRICE PER SHARE \$	FINAL VESTING DATE
MARTYN MYER	-	100,000	25-OCT-11	\$0.0970	\$0.2200	25-OCT-14
BRAD O'CONNOR	-	250,000	25-OCT-11	\$0.0970	\$0.2200	25-OCT-14
DAVID SIMPSON	-	50,000	25-OCT-11	\$0.0970	\$0.2200	25-OCT-14
RICHARD VAN DEN BROEK	-	50,000	25-OCT-11	\$0.0970	\$0.2200	25-OCT-14
RUDY CHAPA	-	100,000	25-OCT-11	\$0.0970	\$0.2200	25-OCT-14
TOTAL		550,000				

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 \$
25-OCT-13	25-OCT-16	9,700	-	-
25-OCT-13	25-OCT-16	24,250	-	-
25-OCT-13	25-OCT-16	4,850	-	-
25-OCT-13	25-OCT-16	4,850	-	-
25-OCT-13	25-OCT-16	9,700	-	-

This report is made in accordance with a resolution of directors.



Martyn Myer
Director

Melbourne
21 August 2012



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 foundation for management and oversight		
1.1 Companies should establish the functions reserved to the delegated to senior executives and disclose from functions.	Yes	Page 43
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 44
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.	No	Page 43
2.2 The chair should be an independent director.	No	Page 43
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Page 43
2.4 The board should establish a Nomination committee.	Yes	Page 43
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 44
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: - The practices necessary to maintain confidences in the company's integrity. - The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. - 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 diversity and disclose the policy or a summary of that policy.	Yes	Page 44
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes	Page 44
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Page 44
3.5 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 audit committee.	Yes	Page 43,45
4.2 The audit committee should be structured so that it: - Consists only of Non-executive directors - Consists of a majority of independent directors - Is chaired by an independent chair, who is not chair of the board - Has at least three members	Yes No No Yes	Page 45 Page 45 Page 45 Page 45
4.3 The audit committee should have a formal charter.	Yes	Page 45
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 & management are currently in the process of formally documenting the policy. Senior executives are aware of, & 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 & 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 46
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 46
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 46
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 43,45
8.2 The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members	No No Yes	Page 45 Page 45 Page 45
8.3 Companies should clearly distinguish the structure of Non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Page 32
8.4 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 2012.

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, 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.

Rodolfo Chapa (non-executive Director) 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, only two of the four CogState directors, 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	12 years 8 months
B O'Connor	6 years 9 months
D Simpson	8 years
R van den Broek	2 years
R Chapa	1 year

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 are 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 is committed to gender diversity in our workforce. Given the Company's small employee numbers, there are no guidelines in place regarding the monitoring of gender diversity. The Company will endeavour to select the appropriate candidates for any position, regardless of gender. As at 30 June 2012, CogState Limited had 57% female employees. There are currently four females in senior management roles, out of a total of 9 positions. There are currently no females on the Board of Directors.

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

D Simpson

R van den Broek

R Chapa

Two of the four directors detailed above (D Simpson and R van den Broek) are independent directors; therefore the majority of the audit committee does not comprise independent directors.

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 four non-executive directors. Members of the Remuneration and Nomination Committee throughout the year were:

M Myer

D Simpson

R van den Broek

R Chapa

Two of the four directors detailed above (D Simpson and R van den Broek) are independent directors; therefore the majority of the remuneration committee does not comprise independent directors.

The Recommendations suggest that the company should structure the remuneration committee with an independent chairperson, who is not the chairperson of the Board. Mr M Myer, the chairperson of the Remuneration 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 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 CHIEF FINANCIAL OFFICER CERTIFICATION

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer 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.

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

Operations	Notes	Consolidated	
		2012 \$	2011 \$
REVENUE	5	12,014,411	8,133,258
FINANCE INCOME	5	155,663	114,802
TOTAL REVENUE	5	12,170,074	8,248,060
COST OF GOODS SOLD		(4,375,163)	(3,753,032)
GROSS PROFIT		7,794,911	4,495,028
OTHER REIMBURSEMENT OF COSTS FROM AXON SPORTS LLC	6	138,474	-
REVALUATION OF INITIAL INVESTMENT IN AXON SPORTS	6	1,268,480	-
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	6	33,977	56,018
OTHER INCOME	6	432	-
EMPLOYEE BENEFITS EXPENSE	7	(3,056,528)	(2,665,767)
DEPRECIATION AND AMORTISATION	7	(317,017)	(53,308)
OCCUPANCY		(307,420)	(279,773)
MARKETING		(491,992)	(135,745)
PROFESSIONAL FEES		(333,734)	(266,261)
GENERAL ADMINISTRATION		(991,011)	(666,327)
NET FOREIGN EXCHANGE GAIN/(LOSS)		66,030	(203,270)
TRAVEL EXPENSES		(664,578)	(404,872)
FINANCE EXPENSES	7	(51,231)	(33,752)
OTHER	7	(874)	(8,490)
NON-RECURRING CONTRACT TERMINATION FEES	7	(42,904)	(126,240)
SHARE OF PROFIT/(LOSS) FROM ASSOCIATES		(252,718)	(625,642)
PROFIT/(LOSS) BEFORE INCOME TAX		2,792,297	(918,401)
INCOME TAX (EXPENSE)/BENEFIT	8	(340,335)	72,195
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		2,451,962	(846,206)
PROFIT FOR THE YEAR		2,451,962	(846,206)
Other comprehensive income			
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	22(a)	68,574	(73,212)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,520,536	(919,418)
Profit is attributable to:			
OWNERS OF COGSTATE LIMITED		2,451,962	(846,206)
Total comprehensive income for the year is attributable to:			
OWNERS OF COGSTATE LIMITED		2,520,536	(919,418)
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		Cents	Cents
Basic earnings per share	11	3.3	(1.3)
Diluted earnings per share	11	3.3	(1.3)
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	11	3.3	(1.3)
Diluted earnings per share	11	3.3	(1.3)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

		Consolidated	
	NOTES	2012 \$	2011 \$
Assets			
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	12	4,659,512	3,306,562
TRADE AND OTHER RECEIVABLES	13	1,978,909	1,202,760
DERIVATIVE FINANCIAL INSTRUMENTS	14	62,843	28,866
OTHER CURRENT ASSETS	15	274,108	381,265
TOTAL CURRENT ASSETS		6,975,372	4,919,453
Non-Current Assets			
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	16	-	115,535
PROPERTY, PLANT AND EQUIPMENT	17	976,721	905,040
DEFERRED TAX ASSETS	9	1,250,230	1,516,595
INTANGIBLE ASSETS	18	2,704,078	401,584
TOTAL NON-CURRENT ASSETS		4,931,029	2,938,754
TOTAL ASSETS		11,906,401	7,858,207
Liabilities			
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	19	1,087,287	1,027,570
PROVISIONS	20	532,369	492,348
TOTAL CURRENT LIABILITIES		1,619,656	1,519,918
Non-Current Liabilities			
DEFERRED TAX LIABILITIES	10	57,660	10,465
PROVISIONS	20	6,771	24,693
TOTAL NON-CURRENT LIABILITIES		64,431	35,158
TOTAL LIABILITIES		1,684,087	1,555,076
NET ASSETS		10,222,314	6,303,131
Equity			
CONTRIBUTED EQUITY	21	15,676,970	14,333,818
OTHER RESERVES	22(a)	1,334,637	1,374,593
RETAINED EARNINGS	22(b)	(6,789,293)	(9,405,280)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF COGSTATE LIMITED		10,222,314	6,303,131
Total equity		10,222,314	6,303,131

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

Consolidated	notes	Attributable to owners of CogState Limited				Total equity \$
		Contributed equity \$	Share based payments \$	Foreign currency translation \$	Retained earnings \$	
BALANCE AT 1 JULY 2010		14,303,130	1,276,901	-	(8,559,074)	7,020,957
PROFIT FOR THE YEAR AS REPORTED IN THE 2011 FINANCIAL STATEMENTS		-	-	-	(846,206)	(846,206)
OTHER COMPREHENSIVE INCOME		-	-	(73,212)	-	(73,212)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	(73,212)	(846,206)	(919,418)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
EXERCISE OF OPTIONS		30,688	-	-	-	30,688
COST OF SHARE-BASED PAYMENT		-	170,904	-	-	170,904
		30,688	170,904	-	-	201,592
BALANCE AT 30 JUNE 2011		14,333,818	1,447,805	(73,212)	(9,405,280)	6,303,131
BALANCE AT 1 JULY 2011		14,333,818	1,447,805	(73,212)	(9,405,280)	6,303,131
PROFIT FOR THE YEAR AS REPORTED IN THE 2012 FINANCIAL STATEMENTS		-	-	-	2,451,962	2,451,962
OTHER COMPREHENSIVE INCOME		-	-	68,574	-	68,574
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	68,574	2,451,962	2,520,536
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
ISSUE OF SHARE CAPITAL	21	1,268,511	-	-	-	1,268,511
COST OF ISSUE OF SHARE CAPITAL	21	(5,588)	-	-	-	(5,588)
TRANSFER BETWEEN SHARE BASED PAYMENTS RESERVE AND RETAINED EARNINGS		-	(164,025)	-	164,025	-
EXERCISE OF OPTIONS		80,229	-	-	-	80,229
COST OF SHARE-BASED PAYMENT		-	55,495	-	-	55,495
		1,343,152	(108,530)	-	164,025	1,398,647
BALANCE AT 30 JUNE 2012		15,676,970	1,339,275	(4,638)	(6,789,293)	10,222,314

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED	
CASH FLOWS FROM OPERATING ACTIVITIES	NOTES	2012 \$	2011 \$
RECEIPTS FROM CUSTOMERS		11,094,938	8,044,931
PAYMENTS TO SUPPLIERS AND EMPLOYEES		(9,803,962)	(7,523,680)
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	1,290,976	521,251
CASH FLOWS FROM INVESTING ACTIVITIES			
PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT	17	(343,092)	(103,431)
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		-	2,553
INVESTMENT IN AXON SPORTS LLC		-	(251,671)
TAKE ON CASH BALANCE FROM ACQUISITION		131,230	-
INTEREST RECEIVED		156,514	112,515
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(55,348)	(240,034)
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM ISSUES OF SHARES		80,229	30,688
TRANSACTION COSTS OF ISSUE OF SHARES		(5,588)	
INTEREST PAYMENTS		(27,267)	(11,063)
NET CASH INFLOW FROM FINANCING ACTIVITIES		47,374	19,625
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,283,002	300,842
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		3,306,562	3,092,437
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		69,948	(86,717)
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	4,659,512	3,306,562

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of CogState Limited and its subsidiaries.

(A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. CogState Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the CogState Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by revaluations to fair value for certain classes of assets as described in the accounting policies, and derivative financial instruments, which have been measured at fair value.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(B) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CogState Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. CogState Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Joint ventures

Joint venture entities

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(C) SEGMENT REPORTING

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:

- 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
- Other income from reimbursement of costs from Axon Sports LLC
- Revaluation of initial investment in Axon Sports LLC

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.

(D) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is CogState Limited's functional and presentation currency. The functional currency of Axon Sports LLC is United States dollars (\$). The presentation currency of the Axon Sports LLC is Australian dollars (\$). The functional and presentation currency of CogState Inc and CogState Canada Inc is Australian dollars (\$).

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated income statement.

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.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(E) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

(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. At this point, no right to a refund exists.

(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. At the point of milestone completion, no right to a refund exists.

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

(iii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(F) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax

liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

CogState Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(G) LEASES

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(H) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(I) IMPAIRMENT OF ASSETS

Goodwill and 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 which 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 reviewed for possible reversal of the impairment at the end of each reporting period.

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.

(J) CASH AND CASH EQUIVALENTS

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

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.

(K) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are generally due for settlement within 30-90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(L) DERIVATIVES AND HEDGING ACTIVITIES

The Group uses 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.

(M) PROPERTY, PLANT AND EQUIPMENT

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 3 - 15 years
- Computer Equipment 2 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(N) INTANGIBLE ASSETS

(i) Intangible assets

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 relating to the Clinical Trials business unit 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.

Intangible assets also include acquired intellectual property arising due to accounting treatment for the acquisition of the remaining 50% of units in the Axon Sports LLC joint venture. The intellectual property is amortised over its estimated useful life, which is 9 years. Intellectual property arising from the acquisition of the remaining 50% of units in Axon Sports LLC is carried at cost less accumulated amortisation and any impairment losses.

(ii) Research and development

Research expenditure is recognised as an expense as incurred.

(O) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost.

(P) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(Q) EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services

up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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.

(iii) Share-based payments

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 (NEDOP), which provides benefits to directors.
- The Employee Share Option Plan (ESOP), which provides benefits to senior executives and employees. Information relating to these schemes is set out in note 27.

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 27.

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 11).

(R) CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. 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.

(S) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(T) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(U) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

The consolidated entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the consolidated entity's accounting for financial liabilities. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2012.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate

Financial Statements, and Interpretation 12 Consolidation - Special Purpose Entities. The standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns. Returns must vary and can be positive, negative or both. There is also new guidance on substantive rights versus protective rights and on agent versus principal relationships. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the accounting for consolidation.

AASB 11 does not focus on the legal structure of joint arrangements, but rather on how and what rights and obligations are shared between parties. If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate will no longer be permitted. If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

While the consolidated entity does not expect AASB 10 and AASB 11 to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets new minimum disclosures requirements for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard will affect the type of information disclosed in relation to the consolidated entity's investments as the new standard requires extensive new disclosures regarding the nature of risk associated with the entity's interest in other entities and the effect of those interest on its financial position, financial performance and cash flows.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest if an investment a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The consolidated entity is still assessing the impact of these amendments.

The consolidated entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The consolidated entity does not expect to adopt the new standard before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 FINANCIAL RISK MANAGEMENT

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.

(A) MARKET RISK

(i) Foreign exchange 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. Approximately 97% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 58% of costs are denominated in the Group's functional currency. The Group does not seek to hedge this exposure specifically, but partially mitigates 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. Management has entered into forward currency contracts, when foreign currency rates are at opportune levels, to help mitigate exposure of transferring US\$ into A\$ to fund the Australian operations. Further detail is provided in Note 14.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

Consolidated	30 June 2012 AUD \$	30 June 2011 AUD \$
Cash and cash equivalents	1,018,824	1,066,322
Trade receivables	1,826,594	1,108,154
Trade payables	(832,024)	(400,419)
Net exposure	2,013,394	1,774,057

Sensitivity

At 30 June 2012, 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 = \$US1.0159, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT		EQUITY	
	HIGHER 2012 \$	(LOWER) 2011 \$	HIGHER 2012 \$	(LOWER) 2011 \$
AUD:USD + 10%	(216,808)	(160,212)	(216,808)	(160,212)
AUD:USD - 10%	196,399	198,420	196,399	198,420

The movements in profit in 2012 are more sensitive than in 2011 due to a higher amount of trade receivable and payable balances held in USD.

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

At balance date, the details of outstanding forward exchange contracts are:

	AMOUNTS		AVERAGE EXCHANGE RATES	
	2012 \$	2011 \$	2012 \$	2011 \$
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	1,100,000	100,000	0.9905	0.8420
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	1,650,000	600,000	0.9912	1.0695
	2,750,000	700,000	0.9909	1.0370

Sensitivity

In relation to the forward exchange contracts listed above, at 30 June 2012, 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 = \$US1.0159, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT		EQUITY	
	HIGHER 2012 \$	(LOWER) 2011 \$	HIGHER 2012 \$	(LOWER) 2011 \$
AUD:USD + 10%	314,327	79,154	314,327	79,154
AUD:USD - 10%	(232,533)	(54,317)	(232,533)	(54,317)

(ii) 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:

	30 JUNE 2012 2012 \$	30 JUNE 2011 2011
Consolidated		
CASH AT BANK AND ON HAND	1,339,486	1,577,093
SHORT-TERM DEPOSITS	3,320,026	1,729,469
NET EXPOSURE TO INTEREST RATE RISK	4,659,512	3,306,562

Sensitivity

If interest rates were to increase/decrease by 1%/(0.5%) from rates used for the entire year, 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		EQUITY	
	HIGHER 2012\$	(LOWER) 2011\$	HIGHER 2012 \$	(LOWER) 2011\$
INCREASE 1%	46,595	33,066	46,595	33,066
DECREASE 0.5%	(23,298)	(16,533)	(23,298)	(16,533)

(B) 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 major Australian and US 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.

(C) LIQUIDITY RISK

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

Maturities of financial liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities At 30 June 2012	LESS THAN 6 MONTHS \$	6 - 12 MONTHS \$	BETWEEN 1 AND 2 YEARS \$	BETWEEN 2 AND 5 YEARS \$	OVER 5 YEARS \$	TOTAL
FINANCIAL LIABILITIES	1,087,286	-	-	-	-	1,087,286
At 30 June 2011						-
FINANCIAL LIABILITIES	1,231,109	-	-	-	-	1,231,109

CogState has unused limits/facilities with the National Australia Bank and Citibank. At balance date, the Group has available approximately \$81,836 of unused credit facilities available for its immediate use (2011: \$81,117)

(D) FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
Consolidated - at 30 June 2012 Assets				
OTHER DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	-	62,843	-	62,843
TOTAL ASSETS	-	62,843	-	62,843

	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
Consolidated - at 30 June 2012 Assets				
OTHER DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	-	28,866	-	28,866
TOTAL ASSETS	-	28,866	-	28,866

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 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.

(A) CRITICAL 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 18.

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 27. 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 1q, 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 17.

4 SEGMENT INFORMATION

(A) DESCRIPTION OF SEGMENTS

Identification of reportable segments

The consolidated entity has three reportable segments as described below:

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 market the services are provided in (i.e. cognitive testing in clinical trials, computerised cognitive assessment tools and skills training for athletes and assessment of cognitive decline by primary care physicians). Discrete financial information is reported to the executive management team on at least a monthly basis, 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 second operating segment is the sport market. In this market, the technology and associated services are used to provide concussion management tools in sport as well as skill training for athletes.

The third operating segment is the primary care physician market. In this market, the technology and associated services are being developed as a tool for primary care physicians to assess cognitive decline.

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 sales in each market are 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 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 and associated assets and liabilities 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
- Other income from reimbursement of costs from Axon Sports LLC
- Revaluation of initial investment in Axon Sports LLC
- Administration costs

(B) SEGMENT INFORMATION

The following table's present revenue and profit information regarding the segments of clinical trials, sport and primary care physician markets for the years ended year ended 30 June 2012 and 30 June 2011.

Consolidated 2012	CLINICAL TRIALS*	SPORT MARKET*	PRIMARY CARE PHYSICIAN MARKET \$	OTHER \$	TOTAL \$
SALES TO EXTERNAL CUSTOMERS	11,794,227	220,184	-	-	12,014,411
REVENUE FROM EXTERNAL CUSTOMERS	11,794,227	220,184	-	-	12,014,411
COST OF GOODS SOLD	(3,927,736)	(447,427)	-	-	(4,375,163)
TOTAL SEGMENT GROSS PROFIT	7,866,491	(227,243)	-	-	7,639,248
INTEREST REVENUE	-	-	-	155,663	155,663
TOTAL GROSS PROFIT PER STATEMENT OF COMPREHENSIVE INCOME	-	-	-	-	7,794,911
OPERATING PROFIT	7,104,485	(1,254,006)	(93,366)	(4,124,482)	1,632,631
OTHER INCOME FROM REIMBURSEMENT OF COSTS FROM AXON SPORTS	-	-	-	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	-	-	-	66,030	66,030
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	-	-	-	33,977	33,977
PROFIT/(LOSS) ON DISPOSAL OF ASSETS	-	-	-	(874)	(874)
SHARE OF LOSS IN JOINT VENTURE	-	-	-	(252,718)	(252,718)
FINANCE COSTS	-	-	-	(51,231)	(51,231)
OTHER INCOME	-	-	-	432	432
SEGMENT RESULT	7,104,485	(1,254,006)	(93,366)	(2,964,816)	2,792,297
PROFIT/(LOSS) BEFORE TAX PER STATEMENT OF COMPREHENSIVE INCOME	7,104,485	(1,254,006)	(93,366)	(2,964,816)	2,792,297

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

Consolidated 2011	CLINICAL TRIALS* \$	SPORT MARKET* \$	PRIMARY CARE PHYSICIAN MARKET \$	OTHER \$	TOTAL \$
SALES TO EXTERNAL CUSTOMERS	7,979,936	153,322	-	-	8,133,258
REVENUE FROM EXTERNAL CUSTOMERS	7,979,936	153,322	-	-	8,133,258
COST OF GOODS SOLD	(3,753,032)	-	-	-	(3,753,032)
TOTAL SEGMENT GROSS PROFIT	4,226,904	153,322	-	-	4,380,226
INTEREST REVENUE	-	-	-	114,802	114,802
TOTAL GROSS PROFIT PER STATEMENT OF COMPREHENSIVE INCOME					4,495,028
OPERATING PROFIT	3,762,175	153,322	-	(3,892,566)	22,931
NON-RECURRING TERMINATION FEES	-	-	-	(126,240)	(126,240)
FOREIGN EXCHANGE GAIN/(LOSS) REALISED AND UNREALISED	-	-	-	(203,272)	(203,272)
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	-	-	-	56,018	56,018
PROFIT/(LOSS) ON DISPOSAL OF ASSETS	-	-	-	(8,490)	(8,490)
SHARE OF LOSS IN JOINT VENTURE	-	(625,642)	-	-	(625,642)
FINANCE COSTS	-	-	-	(33,706)	(33,706)
SEGMENT RESULT	3,762,175	(472,320)	-	(4,208,256)	(918,401)
PROFIT/(LOSS) BEFORE TAX PER STATEMENT OF COMPREHENSIVE INCOME	3,762,175	(472,320)	-	(4,208,256)	(918,401)

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

5 REVENUE

From continuing operations - Sales Revenue	CONSOLIDATED	
	2012 \$	2011 \$
SALE OF SERVICES AND TESTS IN CLINICAL TRIALS	11,794,227	7,979,936
SALE OF SERVICES AND TESTS IN SPORT	220,184	153,322
FINANCE INCOME	155,663	114,802
	12,170,074	8,248,060

6 OTHER INCOME

	CONSOLIDATED	
	2012 \$	2011 \$
REVALUATION OF INITIAL INVESTMENT IN AXON SPORTS	1,268,480	-
OTHER INCOME	432	-
OTHER REIMBURSEMENT OF COSTS FROM AXON SPORTS LLC	138,474	-
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	33,977	56,018
	1,441,363	56,018

7 EXPENSES

PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES: EMPLOYEE BENEFITS EXPENSES

	2012 \$	2011 \$
DIRECT WAGES & SALARIES	(2,783,613)	(2,515,363)
INDIRECT WAGES & SALARIES	(3,001,033)	(2,494,863)
SHARE BASED PAYMENTS EXPENSE	(55,494)	(170,904)
TOTAL EMPLOYEE BENEFITS EXPENSES	(5,840,140)	(5,181,130)

Direct wages and salaries are included as part of Cost of Goods Sold in the Statement of Comprehensive Income.

Share based payments are included as part of Employee Benefits expense in the Statement of Comprehensive Income.

Depreciation

DIRECT DEPRECIATION	(268,906)	(369,946)
OTHER INDIRECT DEPRECIATION EXPENSE	(82,081)	(53,308)
TOTAL DEPRECIATION	(350,987)	(423,254)

AMORTISATION

INTELLECTUAL PROPERTY	(234,936)	-
TOTAL DEPRECIATION AND AMORTISATION	(585,923)	(423,254)

Direct depreciation is included as part of Cost of Goods Sold in the Statement of Comprehensive Income.

FINANCE COSTS

INTEREST AND FINANCE CHARGES PAID	(51,231)	(33,752)
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Net loss on disposal of property, plant and equipment	(874)	(8,490)
Contract termination fees	(42,904)	(126,240)

Rental expense relating to operating leases

Minimum lease payments	(313,165)	(242,979)
Outgoings	(21,146)	(36,794)
Total rental expense relating to operating leases	(334,311)	(279,773)

8 INCOME TAX EXPENSE

(A) INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2012 \$	2011 \$
CURRENT TAX	-	-
DEFERRED TAX	313,560	(70,513)
ADJUSTMENTS FOR CURRENT TAX OF PRIOR PERIODS	26,775	(1,682)

Income tax expense/(benefit) is attributable to:

PROFIT FROM CONTINUING OPERATIONS	340,335	(72,195)
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(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2012 \$	2011 \$
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	2,792,297	(918,401)
TAX AT THE AUSTRALIAN TAX RATE OF 30.0% (2011 - 30.0%)	837,689	(275,520)

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

INTELLECTUAL PROPERTY IMPAIRMENT	70,481	-
SUNDRY ITEMS	(394,075)	-
EXPENDITURE NOT DEDUCTIBLE FOR INCOME TAX PURPOSES	(96,310)	(60,178)
	417,785	(335,698)
DIFFERENCE IN OVERSEAS TAX RATES	(1,835)	16,860
ADJUSTMENTS FOR CURRENT TAX OF PRIOR PERIODS	26,775	(1,682)
TAX LOSSES (RECOGNISED)/UNRECOGNISED	476,478	248,325
PREVIOUSLY UNRECOGNISED TAX LOSSES NOW RECOGNISED	(578,868)	-
INCOME TAX EXPENSE/(BENEFIT)	340,335	(72,195)

(C) TAX LOSSES

	CONSOLIDATED	
	2012 \$	2011 \$
UNUSED TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET HAS BEEN RECOGNISED	651,813	1,919,449
POTENTIAL TAX BENEFIT @ 30.0% - AUSTRALIAN LOSSES	-	505,101
POTENTIAL TAX BENEFIT @ 35.0% - US LOSSES	452,426	199,387

The benefit will only be obtained if:

- The US 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;
- The US 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.

9 NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED	
	2012 \$	2011 \$
The Balance Comprises Temporary Differences Attributable To:		
TAX LOSSES	1,046,361	1,301,519
EMPLOYEE BENEFITS	161,742	155,113
ACCRUED EXPENSES	30,926	39,306
UNREALISED FOREIGN EXCHANGE LOSS	11,201	20,657
	1,250,230	1,516,595

10 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED	
	2012	2011
The Balance Comprises Temporary Differences Attributable To:		
ACCRUED INTEREST INCOME	10,273	10,528
UNREALISED FOREIGN EXCHANGE GAIN	47,387	(63)
	57,660	10,465

11 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.

(A) BASIC EARNINGS PER SHARE

	CONSOLIDATED	
	2012 CENTS	2011 CENTS
FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	3.3	(1.3)
TOTAL BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	3.3	(1.3)

(B) DILUTED EARNINGS PER SHARE

	CONSOLIDATED	
	2012 CENTS	2011 CENTS
FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	3.3	(1.3)
TOTAL DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	3.3	(1.3)

(C) RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	CONSOLIDATED	
	2012 \$	2011 \$
Basic earnings per share		
PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY USED IN CALCULATING BASIC EARNINGS PER SHARE: USED IN CALCULATING BASIC EARNINGS PER SHARE	2,451,962	(846,206)
Diluted earnings per share		
PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY USED IN CALCULATING BASIC EARNINGS PER SHARE	2,451,962	(846,206)

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	CONSOLIDATED	
	2012 NUMBER	2011 NUMBER
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED AS THE DENOMINATOR IN CALCULATING BASIC EARNINGS PER SHARE	73,437,795	66,532,904
Adjustments for calculation of diluted earnings per share:		
OPTIONS	1,164,246	
WEIGHTED AVERAGE NUMBER OF ORDINARY AND POTENTIAL ORDINARY SHARES USED AS THE DENOMINATOR IN CALCULATING DILUTED EARNINGS PER SHARE	74,602,041	66,532,904

(E) INFORMATION ON THE CLASSIFICATION OF SECURITIES

(i) Options

Options granted to employees under the CogState Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 27.

11,903,434 options are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2012. These options could potentially dilute basic earnings per share in the future.

12 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 \$4,659,512 (2011: \$3,306,562)

	CONSOLIDATED	
	2012 \$	2011 \$
CASH AT BANK AND IN HAND	1,339,486	1,577,089
SHORT-TERM DEPOSITS	3,320,026	1,729,473
	4,659,512	3,306,562

(A) RECONCILIATION TO CASH AT THE END OF THE YEAR

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	CONSOLIDATED	
	2012 \$	2011 \$
CASH AT BANK AND IN HAND	1,339,486	1,577,089
SHORT-TERM DEPOSITS	3,320,026	1,729,473
BALANCES PER CONSOLIDATED STATEMENT OF CASH FLOWS	4,659,512	3,306,562

13 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2012 \$	2011 \$
TRADE RECEIVABLES	1,978,909	1,202,760

(A) IMPAIRED TRADE RECEIVABLES

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 (2011: \$nil) has been recognised by the consolidated group in the current year.

The ageing of these receivables is as follows:

	CONSOLIDATED	
	2012 \$	2011 \$
0-30 DAYS	1,748,712	1,121,678
31-60 DAYS	195,234	57,227
	1,943,946	1,178,905

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED	
	2012 \$	2011 \$
AT 1 JULY	-	(541)
AMOUNTS RECOVERED (PROVISION WRITTEN BACK)	-	541
AT 30 JUNE	-	-

(B) PAST DUE BUT NOT IMPAIRED

	CONSOLIDATED	
	2012 \$	2011 \$
61-90 DAYS	34,963	23,855

Receivables past due but not considered impaired are \$34,963 (2011: \$23,855). 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.

(C) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(D) FAIR VALUE AND CREDIT RISK

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

14 DERIVATIVE FINANCIAL INSTRUMENTS

Current Assets	CONSOLIDATED	
	2012 \$	2011 \$
FORWARD FOREIGN EXCHANGE CONTRACTS	62,843	28,866
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT ASSETS	62,843	28,866

(A) INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to mitigate the exposure to fluctuations in interest and foreign exchange rates in accordance with the Group financial risk management policies (refer to note 2).

(i) Forward exchange contracts

Approximately 97% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 58% of costs are denominated in the Group's functional currency. The Group does not seek to hedge this exposure specifically, but partially mitigates 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. Management has entered into forward currency contracts, when foreign currency rates are at opportune levels, to help mitigate exposure of transferring US\$ into A\$ to fund the Australian operations.

At balance date, the details of outstanding contracts are:

	AMOUNTS		AVERAGE EXCHANGE RATES	
	2012 \$	2011 \$	2012 \$	2011 \$
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	1,100,000	100,000	0.9905	0.8420
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	1,650,000	600,000	0.9912	1.0695
	2,750,000	700,000	0.9909	1.0370

15 CURRENT ASSETS - OTHER CURRENT ASSETS

	CONSOLIDATED	
	2012 \$	2011 \$
ACCRUED INCOME	68,286	71,164
PREPAYMENTS	113,645	41,252
DEPOSITS PAID	11,258	7,342
GST RECEIVABLE	2,210	4,672
INCOME TAX RECEIVABLE	65,868	73,370
DEFERRED EXPENSES	692	183,465
OTHER DEBTORS	12,149	-
	274,108	381,265

16 INVESTMENTS IN ASSOCIATES

(A) INVESTMENT DETAILS

	CONSOLIDATED	
	2012 \$	2011 \$
INTEREST IN JOINT VENTURE PARTNERSHIP	-	115,535

(B) MOVEMENTS IN CARRYING AMOUNTS

	CONSOLIDATED	
	2012 \$	2011 \$
CARRYING AMOUNT AT THE BEGINNING OF THE FINANCIAL YEAR	115,536	562,719
ADDITIONAL INVESTMENT IN AXON SPORTS LLC	138,474	251,671
SHARE OF LOSSES	(252,718)	(625,642)
FX MOVEMENTS IN VALUATION	(1,292)	(73,212)
CARRYING AMOUNT AT THE END OF THE FINANCIAL YEAR	-	115,536

(C) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

2011	COMPANY'S SHARE OF:				
	OWNERSHIP INTEREST %	ASSETS \$	LIABILITIES \$	REVENUES \$	PROFIT \$
AXON SPORTS LLC	50	366,612	(135,540)	147,414	(1,251,284)

The remaining 50% interest in Axon Sports LLC was acquired by CogState on 22 August 2011. More detail regarding the acquisition is contained in Note 29.

17 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT	CONSOLIDATED	
	2012 \$	2011 \$
GROSS VALUE	2,690,180	2,249,316
ACCUMULATED DEPRECIATION	(1,713,459)	(1,344,276)
	976,721	905,040

Consolidated Year ended 30 June 2012

	PLANT & EQUIPMENT \$	TOTAL \$
OPENING NET BOOK AMOUNT	905,040	905,040
ACQUISITION OF SUBSIDIARY	80,450	80,450
ADDITIONS	343,093	343,093
DEPRECIATION CHARGE	(350,988)	(350,988)
DISPOSALS	(874)	(874)
CLOSING NET BOOK AMOUNT	976,721	976,721

CONSOLIDATED
YEAR ENDED 30 JUNE 2011

	PLANT AND EQUIPMENT \$	TOTAL \$
OPENING NET BOOK AMOUNT	1,235,907	1,235,907
ADDITIONS	103,884	103,884
DEPRECIATION CHARGE	(423,254)	(423,254)
DISPOSALS	(11,497)	(11,497)
CLOSING NET BOOK AMOUNT	905,040	905,040

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

INTELLECTUAL PROPERTY - DEFINITE USEFUL LIFE

	CONSOLIDATED	
	2012	2011
GROSS VALUE	2,537,430	-
ACCUMULATED AMORTISATION	(234,936)	-
	2,302,494	-

INTELLECTUAL PROPERTY - INDEFINITE USEFUL LIFE

GROSS VALUE	401,584	401,584
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CONSOLIDATED
YEAR ENDED 30 JUNE 2012

	INTELLECTUAL PROPERTY - DEFINITE USEFUL LIFE \$	INTELLECTUAL PROPERTY - INDEFINITE USEFUL LIFE \$	TOTAL \$
OPENING NET BOOK AMOUNT	-	401,584	401,584
ADDITIONS - AXON SPORTS LLC ACQUISITION	2,537,430	-	2,537,430
AMORTISATION CHARGE	(234,936)	-	(234,936)
CLOSING NET BOOK AMOUNT	2,302,494	401,584	2,704,078

CONSOLIDATED
YEAR ENDED 30 JUNE 2011

	INTELLECTUAL PROPERTY - INDEFINITE USEFUL LIFE \$	TOTAL \$
OPENING NET BOOK AMOUNT	401,584	401,584

Description of the Group's intangible assets 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.

Intangible assets also include acquired intellectual property arising due to accounting treatment for the acquisition of the remaining 50% of units in the Axon Sports LLC joint venture. At this stage, these intangible assets have been determined to have definite useful life and intellectual property is amortised over its estimated useful life, which is 9 years. These intangible assets are also reviewed for impairment indicators, and 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.

Impairment losses recognised Continuing Operations

These assets were tested for impairment during the year ended 30 June 2012. No impairment loss was recognised for operations in the 2012 financial year.

Impairment tests for intangibles

Acquired intellectual property rights have been allocated to two individual cash generating units, which are reportable segments, for impairment testing as follows:

- Clinical trials cash generating unit; and
- Primary care physician market cash generating unit.

Clinical Trials cash generating unit

The recoverable amount of the Clinical Trials 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 Clinical Trials cash generating unit for 30 June 2012 and 30 June 2011.

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the Clinical Trials 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.

Primary Care Physician market cash generating unit

The recoverable amount of the Primary Care Physician 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 Primary Care Physician cash generating unit for 30 June 2012.

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

Budgeted gross sales - the basis used to determine the value assigned to the budgeted gross sales is based on past experience with start-up companies and the budgeted sales forecast from CogState's partner in this market.

Budgeted operating expenses - the basis used to determine the value assigned to the budgeted operating expenses are the expenses expected to be incurred as part of the start-up of the segment. 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.

19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2012 \$	2011 \$
TRADE PAYABLES	139,107	82,667
EMPLOYEE RELATED PAYABLES	681,983	297,982
ACCRUED PAYABLES	242,685	616,578
REVENUE IN ADVANCE	23,512	30,343
	1,087,287	1,027,570

(A) RISK EXPOSURE

Information about the Group exposure to foreign exchange risk is provided in note 2.

20 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2012 \$	2011 \$
Current		
ANNUAL LEAVE	375,364	325,723
LONG SERVICE LEAVE	157,005	166,625
CURRENT PROVISIONS	532,369	492,348
Non-Current		
LONG SERVICE LEAVE	6,771	24,693
	6,771	24,693
TOTAL PROVISIONS	539,140	517,041

21 CONTRIBUTED EQUITY

(A) SHARE CAPITAL

	NOTES	2012 SHARES	2011 SHARES	2012 \$	2011 \$
ORDINARY SHARES	21(B),				
ORDINARY SHARES - FULLY PAID	21(C)	74,783,306	66,556,987	15,676,970	14,333,818
TOTAL CONTRIBUTED EQUITY		74,783,306	66,556,987	15,676,970	14,333,818

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES	\$
1 JULY 2010	OPENING BALANCE	66,352,917	14,303,130
	EXERCISE OF OPTIONS - PROCEEDS RECEIVED	204,070	30,688
30 JUNE 2011	BALANCE	66,556,987	14,333,818
	EXERCISE OF OPTIONS - PROCEEDS RECEIVED	764,489	80,229
	ISSUE OF SHARE CAPITAL	7,461,830	1,268,511
	COST OF ISSUE OF SHARE CAPITAL	-	(5,588)
30 JUNE 2012	BALANCE	74,783,306	15,676,970

(C) ORDINARY SHARES

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(D) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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 2012.

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

22 OTHER RESERVES AND ACCUMULATED LOSSES

(A) OTHER RESERVES

Notes	CONSOLIDATED	
	2012 \$	2011 \$
SHARE-BASED PAYMENTS	1,339,275	1,447,805
FOREIGN CURRENCY TRANSLATION	(4,638)	(73,212)
	1,334,637	1,374,593

Movements: Share-Based Payments	NOTES	2012 \$	2011 \$
OPENING BALANCE		1,447,805	1,276,901
OPTION EXPENSE	27	55,495	170,904
TRANSFER TO RETAINED EARNINGS	27	(164,025)	-
BALANCE 30 JUNE		1,339,275	1,447,805

Movements: Foreign Currency Translation

OPENING BALANCE		(73,212)	-
CURRENCY TRANSLATION DIFFERENCES ARISING DURING THE YEAR		68,574	(73,212)
BALANCE 30 JUNE		(4,638)	(73,212)

Share Based Payments

EMPLOYEES		1,188,283	1,297,504
NON-EMPLOYEES		150,992	150,301
		1,339,275	1,447,805

(B) ACCUMULATED LOSSES

Movements in retained earnings were as follows:

	CONSOLIDATED	
	2012 \$	2011 \$
BALANCE 1 JULY *	(9,405,280)	(8,559,074)
NET PROFIT FOR THE YEAR	2,451,962	(846,206)
TRANSFER FROM SHARE BASED PAYMENTS RESERVE	164,025	-
BALANCE 30 JUNE	(6,789,293)	(9,405,280)

(C) NATURE AND PURPOSE OF OTHER RESERVES

(i) Share-based payments

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 27 for further details of these plans.

Management have also granted options as compensation to two external consultants based in the US in recognition of their services to the company.

(ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

23 PARENT ENTITY FINANCIAL INFORMATION

(A) SUMMARY FINANCIAL INFORMATION

	2012 \$	2011 \$
Balance Sheet		
CURRENT ASSETS	6,544,736	4,454,381
TOTAL ASSETS	12,060,548	7,880,615
CURRENT LIABILITIES	1,175,509	1,316,783
TOTAL LIABILITIES	1,239,940	1,351,941
NET ASSETS	10,820,608	6,528,674
Shareholders' Equity		
ISSUED CAPITAL	15,676,970	14,333,818
Reserves		
SHARE-BASED PAYMENTS	1,095,573	1,235,386
RETAINED EARNINGS	(5,951,935)	(9,040,530)
TOTAL SHAREHOLDERS' EQUITY	10,820,608	6,528,674
PROFIT OR LOSS FOR THE YEAR	2,932,223	(264,776)
TOTAL COMPREHENSIVE INCOME	2,932,223	(264,776)

(B) GUARANTEES AND COMMITMENTS ENTERED INTO BY THE PARENT ENTITY

	2012 \$	2011 \$
FINANCIAL GUARANTEE IN RELATION TO COMMERCIAL LEASE	88,784	88,784
CONTRACTUAL COMMITMENTS IN RELATION TO COMMERCIAL LEASES	534,021	688,155
	622,805	776,939

24 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2012 \$	2011 \$
PROFIT FOR THE YEAR	2,451,962	(846,206)
DEPRECIATION AND AMORTISATION	585,924	423,254
WRITE OFF OF ASSETS	874	8,490
NON-CASH EMPLOYEE BENEFITS EXPENSE - SHARE-BASED PAYMENTS	55,495	170,904
INTEREST INCOME	(156,514)	(112,515)
INTEREST PAID	27,267	11,063
FAIR VALUE ADJUSTMENT TO DERIVATIVES	(33,977)	(56,018)
SHARE OF LOSS AXON SPORTS LLC	252,718	625,642
NET EXCHANGE DIFFERENCES	(87,823)	86,716
REVALUATION OF INVESTMENT IN AXON SPORTS	(1,268,480)	-
OTHER INCOME FROM REIMBURSEMENT OF COSTS FROM AXON SPORTS	(138,474)	-
Change In Operating Assets And Liabilities:		
(INCREASE) IN TRADE DEBTORS AND OTHER RECEIVABLES	(776,149)	420,711
(INCREASE) DECREASE IN PREPAYMENTS	(72,394)	18,099
(INCREASE) DECREASE IN DEFERRED TAX ASSETS	266,363	(59,062)
(INCREASE) DECREASE IN OTHER OPERATING ASSETS	172,050	(57,768)
(INCREASE)/DECREASE FOR TAKE ON NET ASSETS OF AXON SPORTS LLC UPON ACQUISITION	(124,378)	-
(DECREASE) INCREASE IN TRADE CREDITORS	59,719	(103,889)
(DECREASE) INCREASE IN PROVISION FOR INCOME TAXES PAYABLE	7,499	(70,956)
(DECREASE) INCREASE IN DEFERRED TAX LIABILITIES	47,195	(10,325)
(DECREASE) INCREASE IN OTHER PROVISIONS	22,099	73,111
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	1,290,976	521,251

25 RELATED PARTY TRANSACTIONS

(A) SIGNIFICANT INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	EQUITY HOLDING	
		2012 %	2011 %
COGSTATE INC	USA	100	100
COGSTATE SPORT INC	USA	100	100
AXON SPORTS LLC	USA	100	50
AXON SPORTS PTY LTD	AUSTRALIA	100	-
COGSTATE CANADA INC	CANADA	100	-

(B) PARENT ENTITIES

CogState Limited is the ultimate parent of the group.

(C) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 26.

(D) LOANS TO/FROM RELATED PARTIES

On 3 August 2006 CogState Inc. received a loan of up to \$1,000,000 from the ultimate parent company CogState Ltd 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. During the financial year, CogState continued to support the working capital requirements of Axon Sports LLC. A loan agreement for this arrangement is currently being formalised.

During the financial year, Axon Sports Pty Ltd received a loan from CogState Ltd for working capital purposes at an interest rate of 7.8%, payable annually. CogState Ltd may call on this loan at any time, by giving 30 days' notice to Axon Sports Pty Ltd, and require them to repay the whole, or part of the remaining balance. Loan agreements between the two parties are currently being formalised.

During the financial, CogState Canada Inc received a loan from CogState Ltd for working capital purposes at an interest rate of 7.8%, payable annually. CogState Ltd may call on this loan at any time, by giving 30 days' notice to CogState Canada Inc., and require them to repay the whole, or part of the remaining balance. Loan agreements between the two parties are currently being formalised.

(E) DIRECTOR-RELATED ENTITY TRANSACTION

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.

During the year, CogState Ltd paid NZD\$11,105.35 to Trilane Industries Ltd (trading as Whare Kea Lodge), a director-related entity of Martyn Myer.

During the year, Axon Sports LLC paid US\$481,995 to Quixote Investment LLC for reimbursement of costs for the set up of the sports training product. Quixote Investment LLC is a director-related entity of Rodolfo Chapa.

26 KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED	
	2012 \$	2011 \$
SHORT-TERM EMPLOYEE BENEFITS	1,928,153	1,390,120
POST-EMPLOYMENT BENEFITS	116,581	117,126
LONG-TERM BENEFITS	41,948	16,224
TERMINATION BENEFITS	-	127,984
SHARE-BASED PAYMENTS	150,873	235,417
	2,237,555	1,886,871

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 38.

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of CogState Limited and other key management personnel of the Group, including their personally related parties, are set out below.

CONSOLIDATED 2012 NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPEN SATION EXERCISED	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
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Directors Of Cogstate Limited

M MYER	1,506,674	100,000	-	(131,110)	1,475,564	1,275,564	200,000
D SIMPSON	365,000	50,000	-	-	415,000	315,000	100,000
R VAN DEN BROEK	100,000	50,000	-	-	150,000	-	150,000
R CHAPA	-	100,000	-	-	100,000	-	100,000
B O'CONNOR	2,420,000	250,000	-	-	2,670,000	1,846,250	823,750

Other Key Management Personnel Of The Group

P MARUFF	2,342,512	250,000	-	(75,640)	2,516,872	2,116,872	400,000
S EGHOLM	725,000	100,000	-	-	825,000	650,000	175,000
J HARRISON	577,851	-	(92,500)	(485,351)	-	-	-
D FRASER	600,000	100,000	-	-	700,000	525,000	175,000
R O'SULLIVAN	575,000	100,000	-	-	675,000	500,000	175,000

All vested options are exercisable at the end of the year.

CONSOLIDATED 2011 NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPEN SATION EXERCISED	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
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Directors Of Cogstate Limited

M MYER	1,835,262	100,000	-	(428,588)	1,506,674	1,346,118	160,556
D SIMPSON	415,000	50,000	-	(100,000)	365,000	254,444	110,556
R VAN DEN BROEK	-	100,000	-	-	100,000	-	100,000
B O'CONNOR	2,270,000	150,000	-	-	2,420,000	1,238,056	1,181,944
R MORGAN	415,000	50,000	-	(100,000)	365,000	254,444	110,556
M WOOLDRIDGE	415,000	50,000	-	(100,000)	365,000	254,444	110,556

Other Key Management Personnel Of The Group

P MARUFF	2,268,153	150,000	-	(75,641)	2,342,512	2,066,956	275,556
S EGHOLM	650,000	75,000	-	-	725,000	469,444	255,556
D DARBY	719,551	75,000	-	-	794,551	652,884	141,667
J HARRISON	477,851	100,000	-	-	577,851	400,907	176,944

(ii) Share holdings

The numbers of shares in the company held during the financial year by each director of CogState Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

CONSOLIDATED 2012 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF THE YEAR
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Directors Of Cogstate Limited

ORDINARY SHARES				
M MYER	13,010,000	-	990,000	14,000,000
D SIMPSON	607,538	-	-	607,538
R VAN DEN BROEK	3,320,000	-	-	3,320,000
R CHAPA	-	-	12,961,831	12,961,831
B O'CONNOR	2,457,825	-	-	2,457,825

CONSOLIDATED 2011 NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF THE YEAR
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Directors Of Cogstate Limited Ordinary Shares

M MYER	13,010,000	-	-	13,010,000
D SIMPSON	607,538	-	-	607,538
R VAN DEN BROEK	3,320,000	-	-	3,320,000
B O'CONNOR	2,457,825	-	-	2,457,825
R MORGAN	323,513	-	-	323,513
M WOOLDRIDGE	120,743	-	-	120,743

Other Key Management Personnel Of The Group Ordinary Shares

D DARBY	1,954,890	-	-	1,954,890
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27 SHARE - BASED PAYMENTS

(A) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED	
	2012 \$	2011 \$
OPTIONS ISSUED UNDER EMPLOYEE OPTION PLAN	55,495	170,904

Reconciliation of share-based payment expense for the 2012 financial year is as follows:

CONSOLIDATED	2012 \$
EXPENSE REVERSED AS OPTIONS NOT FULLY VESTED LAPSED	(115,994)
EXPENSE FOR OPTIONS ISSUED DURING 2012 FINANCIAL YEAR	27,636
EXPENSE FOR OPTIONS ISSUED IN PREVIOUS FINANCIAL YEARS	143,853
	55,495

(B) EMPLOYEE OPTION PLAN

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 second anniversary of the date of the grant. The remaining two thirds of the options are exercisable after the following 12 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 5 directors and 55 executives/staff eligible for this scheme.

(C) SUMMARIES OF OPTIONS GRANTED UNDER ESOP

	2012 NO.	2012 WAEP	2011 NO.	2011 WAEP
OUTSTANDING AT THE BEGINNING OF THE YEAR	11,016,470	\$0.19	10,845,699	\$0.19
GRANTED DURING THE YEAR	2,520,000	\$0.26	1,225,000	\$0.25
FORFEITED DURING THE YEAR	(1,823,362)	\$0.23	(45,930)	\$0.10
EXERCISED DURING THE YEAR	(764,489)	\$0.10	(204,070)	\$0.15
EXPIRED DURING THE YEAR	(75,640)	\$0.36	(804,229)	\$0.43
OUTSTANDING AT THE END OF THE YEAR	10,872,979	\$0.21	11,016,470	\$0.19

The outstanding balance as at 30 June 2012 is represented by

NUMBER OF OPTIONS	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE
42,022	14-MAY-03	13-MAY-06	13-MAY-13	\$0.3600
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
60,000	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	31-MAY-05	30-MAY-08	30-MAY-15	\$0.1000
847,500	2-DEC-05	01-DEC-08	01-DEC-15	\$0.1150
150,000	19-JAN-06	26-MAY-09	19-JAN-16	\$0.1150
125,000	26-MAY-06	26-MAY-09	26-MAY-16	\$0.2800
225,000	17-MAY-07	17-MAY-10	17-MAY-17	\$0.2100
250,000	8-AUG-07	08-AUG-10	08-AUG-17	\$0.1700
250,000	25-OCT-07	25-OCT-10	25-OCT-17	\$0.1700
834,583	1-JUL-08	05-AUG-11	05-AUG-18	\$0.1027
500,000	6-OCT-08	23-OCT-11	23-OCT-18	\$0.1500
750,000	24-OCT-08	24-OCT-11	23-OCT-18	\$0.1027
650,000	30-APR-09	30-APR-12	30-APR-19	\$0.2000
625,000	29-JUN-09	26-JUN-12	26-JUN-14	\$0.2400
500,000	30-OCT-09	30-OCT-12	30-OCT-14	\$0.2400
50,000	9-MAR-10	09-MAR-13	09-MAR-15	\$0.3000
400,000	26-OCT-10	26-OCT-13	26-OCT-15	\$0.2500
350,000	29-NOV-10	29-NOV-13	29-NOV-15	\$0.2500
175,000	7-DEC-10	07-DEC-13	07-DEC-15	\$0.2500
550,000	25-OCT-11	25-OCT-14	25-OCT-16	\$0.2200
750,000	15-NOV-11	15-NOV-14	15-NOV-16	\$0.2800
680,000	28-NOV-11	28-NOV-14	28-NOV-16	\$0.2200
540,000	23-MAY-12	23-MAY-15	23-MAY-17	\$0.3300
10,872,979				

(D) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life for the share options outstanding at 30 June 2012 is 4 years (2011: 5 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 (2011: \$0.10-\$0.38).

(F) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of options granted during the year was \$0.1255 (2011: \$0.1501).

(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 2012 and 30 June 2011:

	2012			
	25-OCT-11	15-NOV-11	28-NOV-11	23-MAY-12
DIVIDEND YIELD (%)	0	0	0	0
EXPECTED VOLATILITY (%)	44.00	44.00	44.00	44.00
RISK-FREE INTEREST RATE (%)	4.13%	3.63%	3.44%	2.30%
EXPECTED LIFE OF OPTION (YEARS)	3.5	3.5	3.5	3.5
OPTION EXERCISE PRICE (\$)	0.22	0.28	0.22	0.33
MARKET SHARE PRICE AT GRANT DATE (\$)	0.19	0.23	0.24	0.28

	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

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.

28 COMMITMENTS AND CONTINGENCIES

(A) LEASE COMMITMENTS: GROUP AS LESSEE

(i) Non-cancellable operating leases

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:

Commitments For Minimum Lease Payments In Relation To Non-Cancellable Operating Leases Are Payable As Follows:	CONSOLIDATED	
	2012 \$	2011 \$
WITHIN ONE YEAR	313,772	249,297
LATER THAN ONE YEAR BUT NOT LATER THAN FIVE YEARS	870,625	825,356
LATER THAN FIVE YEARS	56,295	33,954
	1,240,692	1,108,607

(B) GUARANTEES

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

The Group had no contingent liabilities at 30 June 2012 (2011: nil).

29 BUSINESS COMBINATION

(A) SUMMARY OF ACQUISITION

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 assets and liabilities recognised as a result of the acquisition are as follows:

	RECOGNISED ON ACQUISITION AT FAIR VALUE \$	CARRYING VALUE PRIOR TO ACQUISITION \$
CASH AND CASH EQUIVALENTS	131,230	131,230
TRADE RECEIVABLES (BOOK AND FAIR VALUE)	16,750	16,750
PREPAYMENTS	12,473	12,473
PLANT & EQUIPMENT	80,450	80,450
	240,903	240,903
TRADE PAYABLES	(15,622)	(15,622)
OTHER PAYABLES	(42,998)	(42,998)
DEFERRED COMPENSATION	(57,905)	(57,905)
	(116,525)	(116,525)
FAIR VALUE OF IDENTIFIABLE NET ASSETS	124,378	124,378
IDENTIFIABLE INTANGIBLES ARISING ON ACQUISITION**	2,412,644	2,412,644
	2,537,022	2,537,022

Acquisition-Date Fair-Value Of Consideration

SHARE ISSUED, AT FAIR VALUE, FOR 50% INTEREST ACQUIRED ON 22 AUGUST 2011	1,268,511	1,268,511
ACQUISITION-DATE FAIR-VALUE OF INITIAL 50% INTEREST	1,268,511	1,268,511
CONSIDERATION	2,537,022	2,537,022

* 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 been reviewed by the Board and is considered to be 100% intellectual property, as in effect, CogState have re-acquired the right to the use of the intellectual property previously licensed to Axon Sports.

** The 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 intangible asset figure in the balance sheet at 30 June 2012 is different, due to the movements in the \$A/\$US exchange rate.

(i) Acquired receivables

The fair value of trade receivables equals the contractual amounts due.

(ii) Revenue and profit contribution

Since the acquisition date Axon Sports LLC has contributed revenue of \$69,428 and a loss after tax of \$1,296,992 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 \$2,180,317 and revenue would have been \$12,220,281.

Acquisition-related costs

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

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

31 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(A) PITCHER PARTNERS

	CONSOLIDATED	
	2012 \$	2011 \$
AUDIT AND OTHER ASSURANCE SERVICES		
AUDIT AND REVIEW OF FINANCIAL STATEMENTS	40,305	-
TOTAL REMUNERATION FOR AUDIT AND OTHER ASSURANCE SERVICES	40,305	-
Taxation Services		
TAX COMPLIANCE SERVICES	21,766	-
TOTAL REMUNERATION FOR TAXATION SERVICES	21,766	-
TOTAL REMUNERATION OF PITCHER PARTNERS	62,071	-

(B) NETWORK FIRMS OF PITCHER PARTNERS

	CONSOLIDATED	
	2012 \$	2011 \$
Other Services		
TAXATION SERVICES	10,526	-
TOTAL REMUNERATION FOR OTHER SERVICES	10,526	-
TOTAL REMUNERATION OF NETWORK FIRMS OF PITCHER PARTNERS	10,526	-

(C) NON-PITCHER PARTNERS RELATED AUDIT FIRMS

	CONSOLIDATED	
	2012 \$	2011 \$
Audit And Other Assurance Services		
AUDIT AND REVIEW OF FINANCIAL STATEMENTS	34,518	58,513
TOTAL AUDITORS' REMUNERATION	107,115	58,513

Pitcher Partners were appointed as auditors on 25 October 2011. Prior to that the auditors were Ernst & Young (Australia). The 2011 figures reflect the amounts paid to Ernst & Young (Australia).

DIRECTORS DECLARATION

IN THE DIRECTORS' OPINION:

- (a) the financial statements and notes set out on pages 47 to 95 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
 - (iii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

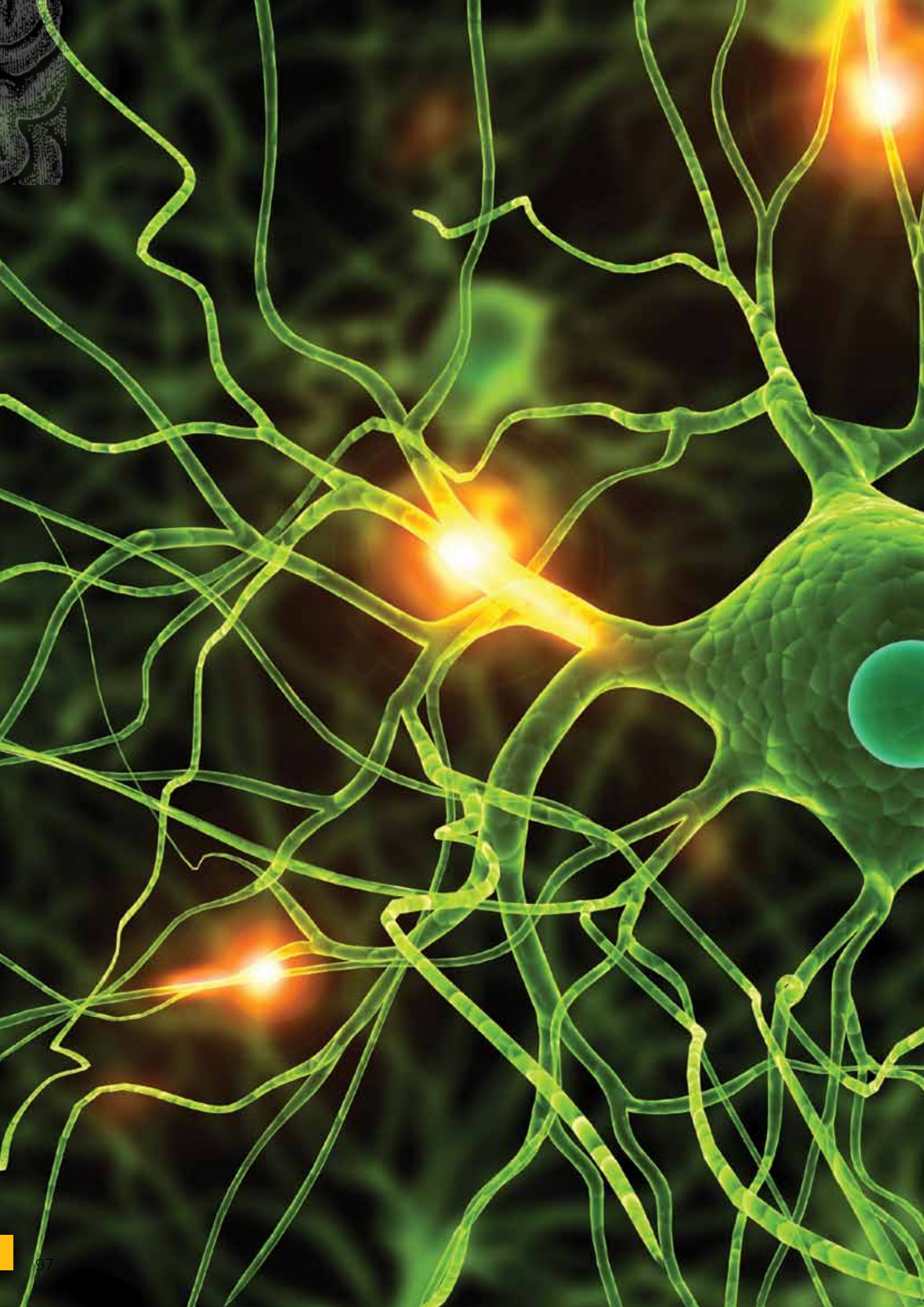
The directors have been given the declarations by the chief executive officer and chief financial officer required by section 205A of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.



Martyn Myer
Director

Melbourne
21 August 2012





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INDEPENDENT AUDITORS REPORT

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

**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 and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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 judgement, 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 control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

**COGSTATE LIMITED
ABN 80 090 975 723
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
COGSTATE LIMITED**

Independence

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

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 2012 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 consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 38 of the directors' report for the year ended 30 June 2012. 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 and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

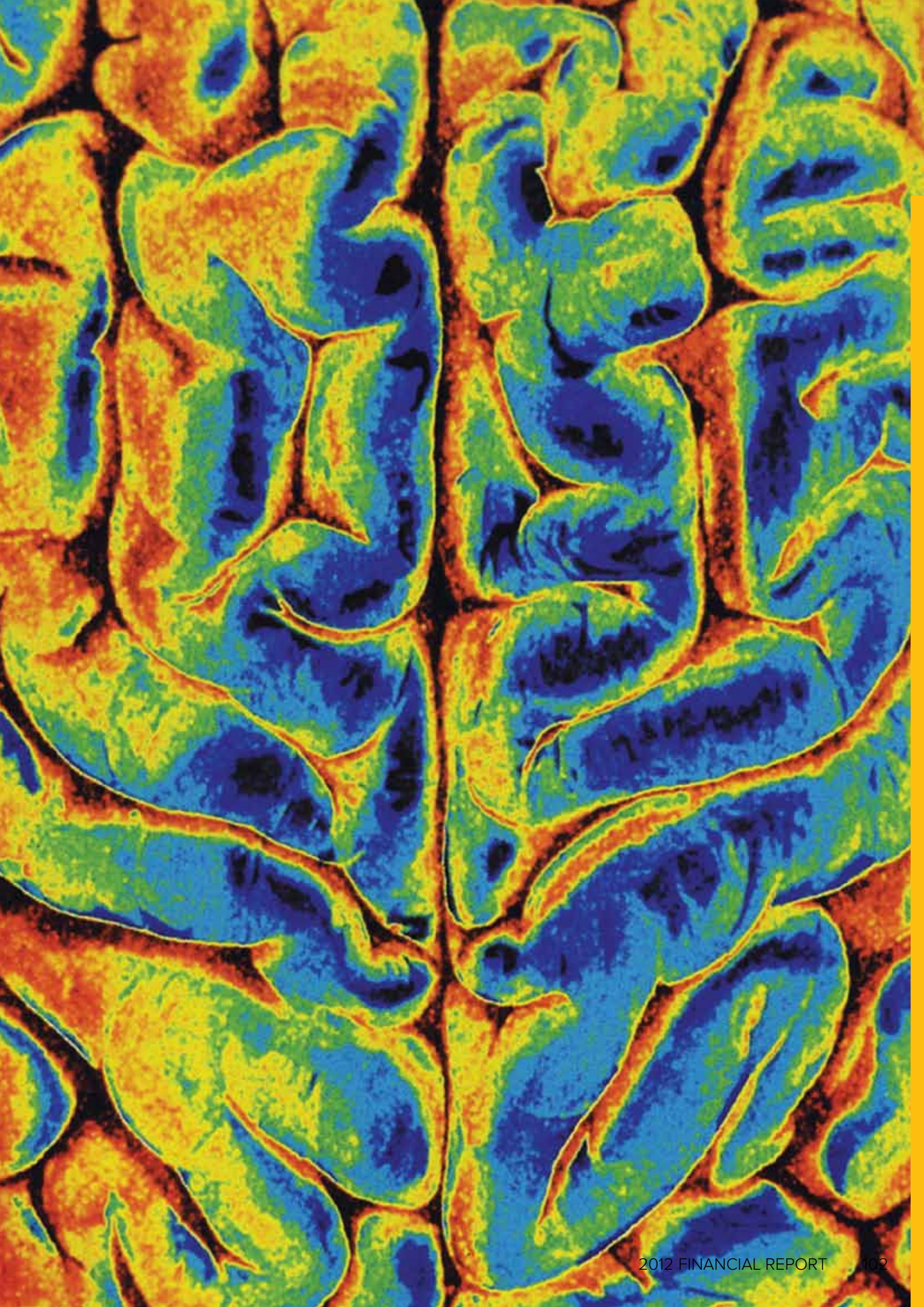


K L BYRNE
Partner

21 August 2012



PITCHER PARTNERS
Melbourne



SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 15 AUGUST 2012.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Holding	CLASS OF EQUITY SECURITY	
	ORDINARY SHARES	
	SHARES	OPTIONS
1 - 1000	73	-
1,001 - 5,000	101	-
5,001 - 10,000	71	3
10,001 - 100,000	166	8
100,001 AND OVER	61	16
	472	27

There were 81 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	ORDINARY SHARES	
	NUMBER HELD	PERCENTAGE OF ISSUED SHARES
M F CUSTODIANS LTD	14,109,259	18.84
QUIXOTE INVESTMENT LLC	12,961,831	17.31
ASIA UNION INVESTMENTS PTY LTD	7,472,928	9.98
CITICORP NOMINEES PTY LIMITED	3,364,500	4.49
BETA GAMMA PTY LTD	3,000,000	4.01
DR PETER ANTHONY BICK & MS MELANIE JO GRIBBLE	2,863,924	3.82
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,606,496	3.48
MR BRADLEY JOHN O'CONNOR	2,214,696	2.96
DALEFORD WAY PTY LTD	1,741,311	2.33
ALEXANDER 2006 LLC	1,709,138	2.28
D G DARBY INVESTMENTS PTY LTD	1,651,514	2.21
MUTUAL TRUST PTY LTD	1,000,000	1.34
HOWITT NOMINEES PTY LTD	1,000,000	1.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	683,600	0.91
MR DAVID ALEXANDER SIMPSON & MRS DAWN GENTRY SIMPSON	607,538	0.81
GUST CONSULTING PTY LTD	600,000	0.80
MRS ERICA MARGARET STRONG	575,000	0.77
MR ALISTAIR DAVID STRONG	566,400	0.76
JP MORGAN NOMINEES AUSTRALIA LIMITED	548,571	0.73
MR RICHARD JOHN ILLTYD MORGAN	452,402	0.60
	59,729,108	79.77

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
OPTIONS TO ACQUIRE ORDINARY SHARES *	4,241,775	5
Options To Acquire Ordinary Shares, Issued Under The Directors' And Employees		
SHARE OPTION PLAN	11,622,979	22

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

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	NUMBER HELD	PERCENTAGE
MF CUSTODIANS LTD	14,109,259	18.84%
QUIXOTE INVESTMENTS	12,961,831	17.31%
ASIA UNION INVESTMENTS PTY LTD	7,472,928	9.98%
	34,544,018	46.13%

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

- (a) All ordinary fully paid share carry one vote per share without restrictions.
- (b) Options do not carry a right to vote.
- (c) There is no current on market buy back.



