

ANNUAL REPORT 2013



COGSTATE

5

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COGSTATE

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BUSINESS MILESTONES 2013

Cogstate's clinical trials business delivers eighth consecutive year of growth, contributing \$11.8 million in revenue

COGNIGRAM™, Cogstate's testing tool for general practice medicine, launched in Canada with partner Merck

Axon Sports delivers first revenue from training products, with installations at leading-edge Human Performance Laboratories, elite athlete training centres and with professional and college sporting teams

New data presented at the prestigious Alzheimer's Association International Conference highlights the role the Cogstate tests play in driving a deeper understanding Alzheimer's disease

Cogstate selected as the computerised cognitive testing tool in the pioneering DIAN (Dominantly Inherited Alzheimer Network) Alzheimer's disease prevention trial

Realignment of the business across four business lines: Clinical Trials, Healthcare, Axon Sports and Research & Development and launch of new brand to reflect the company's reach into new markets

BUSINESS OUTLOOK 2013-2014

Continue growth of clinical trials revenue driven by participation in larger trials and across a range of indications including neurological diseases, pediatric safety, multiple sclerosis and relevant cancers and expansion into Europe

Further rollout of the COGNIGRAM™ test in Canada, in conjunction with Merck, while also exploring opportunities to launch COGNIGRAM™ in additional geographic markets

Advance the commercialisation of the Axon Sports sports-related training products and explore new applications into additional sports, specialist occupations and life skills areas

See new revenue streams contribute to the company's growth as Healthcare and Axon Sports enter their second year

Reinforce the standing of Cogstate in the scientific community and among key opinion leaders by maintaining our contribution to important research in the areas of Alzheimer's disease HIV, multiple sclerosis, pediatric and adult oncology, Parkinson's disease, epilepsy, and schizophrenia.

CHAIRMAN'S LETTER

DEAR FELLOW SHAREHOLDER, IT IS WITH GREAT PLEASURE THAT THE DIRECTORS OF COGSTATE PRESENT TO YOU THE 2012-13 ANNUAL REPORT. LAST YEAR WAS ANOTHER PERIOD OF SIGNIFICANT DEVELOPMENT, AND HAS SEEN THE LAUNCH OF NEW PRODUCTS INTO NEW MARKETS, THE GENERATION OF IMPORTANT SCIENTIFIC DATA THAT REINFORCES THE VALIDITY OF OUR TOOLS, AND THE CONTINUED EVOLUTION OF OUR BUSINESS.

Notably, the company launched its healthcare program to make its cognition testing available to the broader public, outside of a clinical trial, for the first time. In just over 12 months since signing our partner Merck, the program has been launched in Canada, the rollout of testing centres is well underway and to date, around 450 Canadian doctors have signed up as referring physicians. These GPs can now refer patients who present with a memory complaint to undergo COGNIGRAM™ testing at a dedicated site. The Canadian roll-out of this program is an important first step in this program, and other countries are expected to follow. The launch of COGNIGRAM™ represents another major step towards the stated goal of Cogstate to become the global standard for measuring, monitoring and improving cognition.

The Axon Sports business also contributed to revenues (\$0.65 million) during its first full year as a 100% owned subsidiary of Cogstate. Axon Sports has been developing sport specific training products, initially focused on American football and baseball, and the resulting technologies have now been launched within a small number of elite US professional and college programs. Of Axon Sports' total revenue, \$0.4 million was derived from the sale of sport specific training products to elite organisations.

Cogstate has increased its expenditure to build these two new business units – Healthcare and Axon Sports – and although they are both in establishment phase they represent additional, and growing, revenue streams for Cogstate that broaden the scope and appeal of the company and augment the clinical trials business, which continues to underpin the financial result.

As of 30 June 2013, Cogstate Clinical Trials business had \$8.61 million of contracted revenue to be recognised in future periods, compared to \$7.84 million in the year prior.

The Company's clinical trials customers now include seven of the world's top ten pharmaceutical companies, and Cogstate's testing is increasingly adopted as the tool to monitor cognition for trial of drugs targeting common neurological diseases. This includes clinical trials where cognition is the primary efficacy endpoint - as it is for Alzheimer's disease or Cognitive Impairment Associated with Schizophrenia - or an efficacy endpoint needed to differentiate new from existing drugs. During the year, we also continued to see adoption of Cogstate's computerised tests as a superior solution for the assessment of cognition in new indications such as multiple sclerosis and relevant cancers.

Cogstate has developed a global reputation for engaging in world class research, demonstrated by our selection in a number of leading international studies. The wealth of research studies involving Cogstate and the important role that research plays in our commercial endeavors has been the catalyst for the establishment of a dedicated research division within the company in 2013. It is this team that has continued to drive important research in Alzheimer's disease during the year, with a number of papers recently presented at the Alzheimer's Association International Conference in the USA – perhaps our most successful conference yet. These papers underscored the close relationship between elevated brain amyloid levels and a key gene implicated in Alzheimer's disease risk. It also again demonstrated the sensitivity of Cogstate's testing for the detection of mild cognitive impairment associated with the early stages of dementia and Alzheimer's disease.

Cogstate was also very proud to be selected for inclusion in a Phase II/III study being run by the international research partnership DIAN (Dominantly Inherited Alzheimer Network) out of the Dominantly Inherited Alzheimer Network Trials Unit (DIAN-TU) at Washington University School of Medicine in St. Louis.

This worldwide clinical trial is the first study to investigate whether early treatment of amyloid pathology using drugs can prevent the onset of dementia in patients who have the gene mutation but have not yet developed the disease. The Cogstate tests will be the only computerised testing tool used in the study.

Through our participation in these studies the sensitivity and specificity of our tests are helping scientists to generate much-needed, new insights into the development of Alzheimer's disease. But there is a commercial driver for Cogstate as well: Our involvement in these important scientific studies is of utmost importance to our growth strategy, providing both validation and information that supports all of our business units and enhances our standing within the various markets and industries that Cogstate operates.

Looking ahead, the 2013-14 financial year promises to be another period of growth for the Company and maturation of these new business units. The Company recognised some time ago that significant value could be derived from its core IP across multiple platforms and not solely from its clinical trials business. The milestone developments of the past year show that important progress is being made in realising that value, and that Cogstate is well advanced along a path to becoming a truly multi-dimensional business.

I'd like to take this opportunity to thank the staff of Cogstate for their dedication and hard work during the year, and the shareholders for their continued support.

Yours sincerely,



Martyn Myer AO

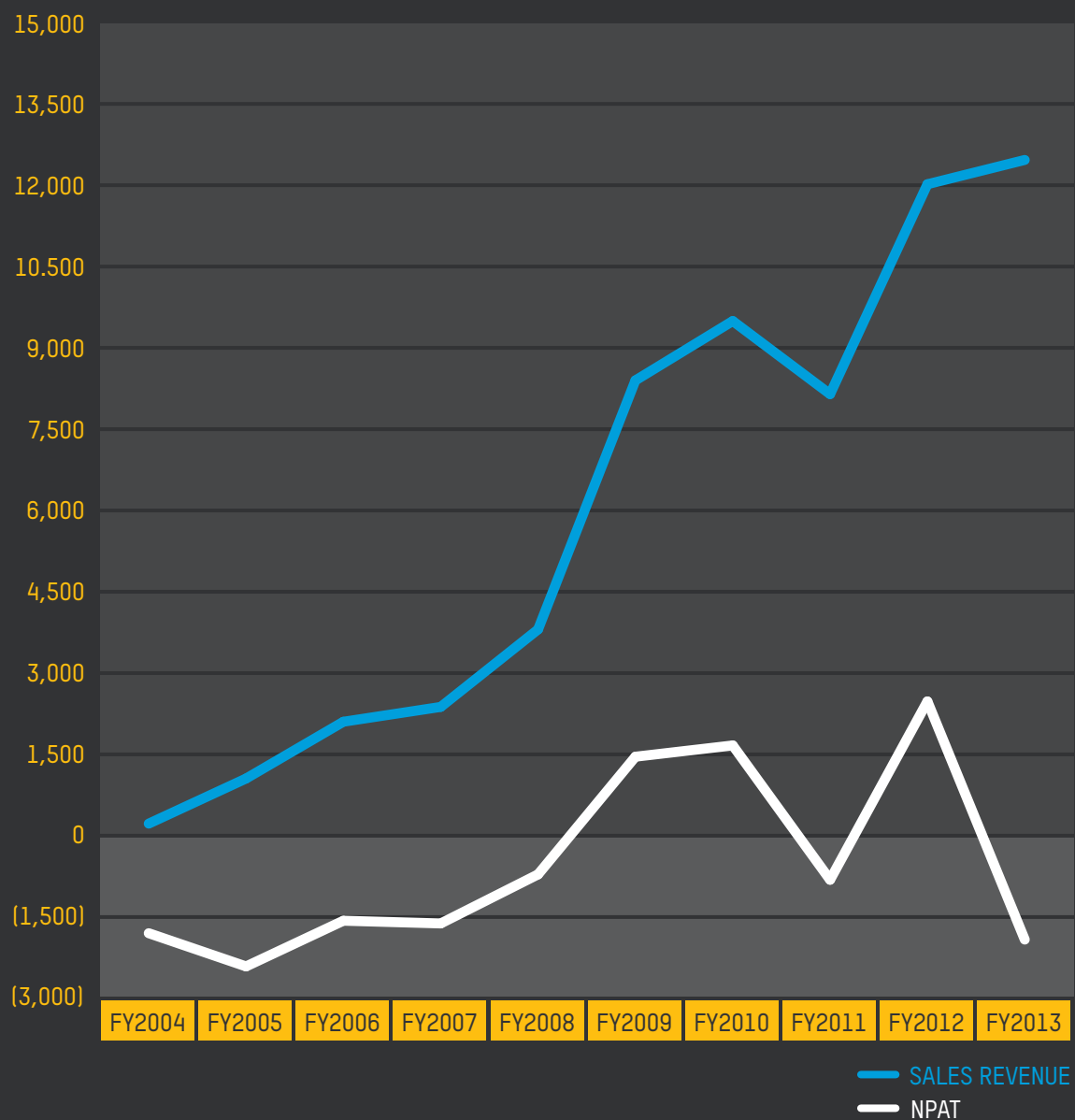
REVIEW OF OPERATIONS

TOPLINE RESULT

COGSTATE PRODUCED ANOTHER SOLID REVENUE RESULT IN 2012-13, MIRRORING THE REVENUE GROWTH ACHIEVED LAST YEAR AND ENABLING THE BUSINESS TO CONTINUE TO FUND NEW BUSINESS UNITS THAT WILL DRIVE SIGNIFICANT REVENUE GROWTH IN THE FUTURE.

Total recognised revenue was \$12.46 million for the year ended to 30 June 2013, an increase of 4% over the previous year's result. The company posted a Net Loss After Tax of \$1.95 million. This was in line with our expectations and reflects the expenditure over the past year, towards the launch of new products in Healthcare and Axon Sports.

COGSTATE SALES REVENUE AND PROFITABILITY, BY FINANCIAL YEAR





COGNIGRAM

HEALTHCARE PROGRAM (COGNIGRAM™)

PATIENTS IN CANADA WHO GO TO THEIR PRIMARY
CARE / GENERAL PRACTICE DOCTOR (GP)
COMPLAINING OF MEMORY PROBLEMS CAN NOW
BE REFERRED TO A SPECIALIST CENTRE WHERE
THEY UNDERGO A COGSTATE-DEVELOPED
COGNIGRAM™ TEST



DID YOU FORGET SOMETHING?

COGNIGRAM™ is a computer-based cognitive evaluation tool that helps physicians in their clinical decision-making for their patients with cognitive impairment. COGNIGRAM™ is not a diagnostic tool.

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Merck Canada Inc. promotes the COGNIGRAM™ test in Canada.
The COGNIGRAM™ test was created and is supplied by CogState Ltd.

NEUR-100744-0002



This is the first primary care-focused application of the Company's technology, and an important new tool that helps physicians to evaluate and monitor the cognitive function of the patient over time. Although it can be used for a range of reasons, including measuring the impact of brain injury, this tool is being positioned as a tool to help doctors detect the early stages of cognitive decline associated with a neurodegenerative disease, such as Alzheimer's disease.

The healthcare program was initiated on the basis of an exclusive rights agreement between Cogstate and Merck Canada Inc (Merck) in June 2012. Merck brings healthcare expertise in commercialising, marketing and promoting products to this important partnership. The first physicians were registered in the program in January this year, with first patients tested in February. The number of registered physicians has since grown to around 450. Twenty dedicated COGNIGRAM™ testing centres have also been trained and opened for testing. Plans are in place to open another 30 testing centres, and to add several physician clinics as testing centres, by late 2013.

The mission of Cogstate's Healthcare program is to provide doctors with the tools for accurate and easy measurement of cognitive function within a general practice (GP) setting, leading to improved care and better health outcomes for the patient. COGNIGRAM™ is the first product to achieve this goal.

COGNIGRAM™ is currently available via a secure website in English and French. Access to the tests, and test results, requires a password-protected account. Test results are only available to the physician and are presented in a simple report comparing the patient to normative data, and to their past performance.

Much work is being done to educate physicians about cognition and create awareness of the need to monitor this. Merck's sales force is visiting doctors and developing materials to promote the therapeutic value of using COGNIGRAM™ to monitor patients. Merck has also dedicated resources to developing an education program for General Practice doctors to learn more about detecting, monitoring and managing cognitive changes in individuals. The DETECT program was written by specialists and approved by Canada's College of Physicians for CME (Continuing Medical Education) credits. Twenty five (25) DETECT programs have been conducted to date with a goal of completing at least 60 within the testing centre catchment area by late 2013.

Along with education, Merck and Cogstate are focusing on making the science behind COGNIGRAM™ readily available to drive acceptance of the test by specialists and GPs. Data in support of COGNIGRAM™ was presented at the Alzheimer's Association International Conference (AAIC) in Boston, in July 2013, and submitted for journal publication. Merck has also held in-person and online presentations by Cogstate's Chief Science Officer, Paul Maruff, to present the data to physicians in Canada. Research studies are being planned to further support and strengthen the scientific platform for the product.

COGNIGRAM™ is covered for reimbursement by some private insurance companies though it remains an out-of-pocket expense for most patients and work is underway to expand the potential means of reimbursement. Cogstate's cognition testing has also shown utility to monitor concussion patients and Cogstate is planning to launch COGNIGRAM™ for this use in Canada in September 2013.





DID YOU FORGET SOMETHING?

COGNIGRAM™ is a computer-based cognitive evaluation tool that helps physicians in their clinical decision-making for their patients with cognitive impairment. COGNIGRAM™ is not a diagnostic tool.

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Merck Canada Inc. promotes the COGNIGRAM™ test in Canada.
The COGNIGRAM™ test was created and is supplied by CogState Ltd.

NEUR 1002144-0004





AXON SPORTS

THE MISSION OF AXON SPORTS IS TO “PROTECT AND TRAIN THE ATHLETIC BRAIN”. AXON’S FOCUS IS TO RESEARCH, DEVELOP AND DELIVER CUTTING EDGE TOOLS TO ASSESS, MONITOR AND IMPROVE THE ATHLETIC BRAIN.



TRAIN ABOVE THE NECK



Axon Sports was fully acquired by Cogstate in late 2011, to bring together Axon's sport-focused cognitive training technologies with Cogstate's considerable body of work, and testing aid, for sports-related concussion. Cogstate's cognition testing has been used as a concussion-detection aid by a number of highly-regarded institutions and sporting organisations around the world, including the AFL and NRL in Australia, for a decade.

Axon Sports is also a developer of sport-specific training products, initially focused on American football and baseball. During the 2013 financial year, Axon Sports focused on expanding its Sports Cognitive Skill Acquisition installations within elite sports programs, spanning from Human Performance Labs – world class performance training centres - to programs designed especially for elite collegiate and professional teams.

Axon Sports is now installed at four Human Performance Labs (HPLs) including the Athlete's Performance Centre in Phoenix, Arizona and a leading edge performance research and training facility established by GlaxoSmithKline in the UK. This centre will serve as a key research and development facility for Axon Sports' cognitive training programs.

Axon Sports also completed the installation of Axon Sports Labs within six elite teams in the United States, including five collegiate teams and one professional team. These labs are focused

on specific sports programs spanning American football, baseball and softball. Of the college teams which had the facility installed prior to completion of the season, four of the five teams are top ten collegiate programs.

These initiatives saw Axon Sports contribute over \$0.65 million during the 2012-13 financial year, (including \$0.4 million from the sports training products) which was the first full year of Axon Sports being a fully owned subsidiary of Cogstate.

To support the growth of this business, Axon Sports hired a number of key people which has enabled the expansion of the intellectual property and product base, specifically around cognitive skill acquisition and brain activation. A priority initiative is enabling this technology to be used across various platforms (including mobile) with the ability to scale into multiple areas of cognitive skill acquisition, which will initially encompass different sports but could also be applied to occupations that demand specific skills including military, emergency management crews or educators.

Although in its formative stages, the cognitive skills acquisition technology is attracting the attention of elite sporting organisations. It has the potential to be held in the same regard as Cogstate's existing concussion testing capability and is an exciting and growing source of new revenue for the company.







CLINICAL TRIALS

COGSTATE PLAYS AN INTEGRAL ROLE IN THE GLOBAL UNDERTAKING OF COGNITION-RELATED CLINICAL TRIALS, AND NOW COUNTS AMONGST ITS CLIENTS SEVEN OF THE TEN MAJOR PHARMACEUTICAL COMPANIES. THIS BUSINESS HAS TO DATE BEEN THE MAIN REVENUE DRIVER FOR COGSTATE, AND CONTINUES TO ACHIEVE YEAR ON YEAR GROWTH, CONTRIBUTING \$11.8 MILLION TO REVENUE IN FY13.





Cogstate Clinical Trials' customers are mainly pharmaceutical and nutraceutical companies with products in development, or on the market, in a variety of indications where cognition is either the primary efficacy endpoint for purposes of registration (for example Alzheimer's Disease, or Cognitive Impairment Associated with Schizophrenia); or an efficacy endpoint to help differentiate new products from those already on the market (for example in depression). When there is concern about adverse effects affecting the brain, changes in cognition are measured as a safety endpoint.

The Company's computerised cognition testing and data monitoring platform has been used in over 200 clinical trials and has been adopted as a standard tool for the measurement of cognition by major pharmaceutical companies, as well as by leading academic groups in the US, Europe and Asia.

Cogstate's competitive position was strengthened in February 2013 when the US FDA issued draft guidance for the development of drugs for Alzheimer's disease. It said drug makers should not rely on biomarker data alone to demonstrate effectiveness and that a clinical measure of cognition was required. Cogstate's know-how and technology are at the forefront of this research, and we are well-positioned as a partner of choice for pharmaceutical companies who wish to evaluate their investigational products in pre-Alzheimer's and patients suffering from Mild Cognitive Impairment, thought to be a precursor to Alzheimer's disease.

We are also continuing to enhance Cogstate's reputation as a superior solution for the assessment of cognition in other diseases. Over the past year, Cogstate computerised test was selected for use in two large, global, phase III schizophrenia programs involving multiple studies and in a large, late stage global trial for pediatric safety. We are also seeing increased adoption of the test, by thought leaders, in new indications such as multiple sclerosis and oncology.

Cogstate expects to see increased demand for the company's products and services, as it participates in larger studies, spanning into later stage developments and a wider range of therapeutic indications.

Additional growth is expected as the company continues to build its rater training services, another area in which our reputation is growing. These services include scientific consultation,

scales management, rater selection/training/certification/recalibration and quality control. These services are provided for all scales and tests, including traditional paper and pencil, used in clinical trials to measure cognition. Cogstate's legacy of cognitive science and technology, the size and depth of its science team of neuropsychologists, and its systematic integration of science, operations and technology make it unique as a vendor of these services, delivering exemplary service and innovation. Over the past year, Cogstate has been selected as a preferred provider for rater training services by one of the top five global pharmaceutical companies and delivered one of the most complex rater training programs in the industry.

Cogstate's Clinical Trials unit is differentiated from its competitors by its strong scientific foundation, superior usability of its products by patients and site staff, as well as its excellence in operational delivery, while remaining very cost competitive thanks to its automated training and monitoring systems and streamlined processes.

AS A SCIENCE COMPANY,
WITH THE LARGEST AND
MOST EXPERT TEAM OF
NEUROPSYCHOLOGISTS IN
THE INDUSTRY, COGSTATE
IS UNIQUELY POSITIONED
TO PROVIDE SCIENTIFIC
CONSULTATION AND
SERVICES TO SUPPORT THE
MEASUREMENT OF COGNITION
IN CLINICAL TRIALS. AS A
RESULT, THE MOST SUBTLE
EFFECTS RESULTING
FROM PHARMACOLOGICAL
INTERVENTIONS CAN
BE DETECTED AND THE
EXPERIMENTAL QUESTIONS
UNDERLYING THE TRIAL DESIGN
CAN NOW BE ANSWERED.





COGSTATE
RESEARCH

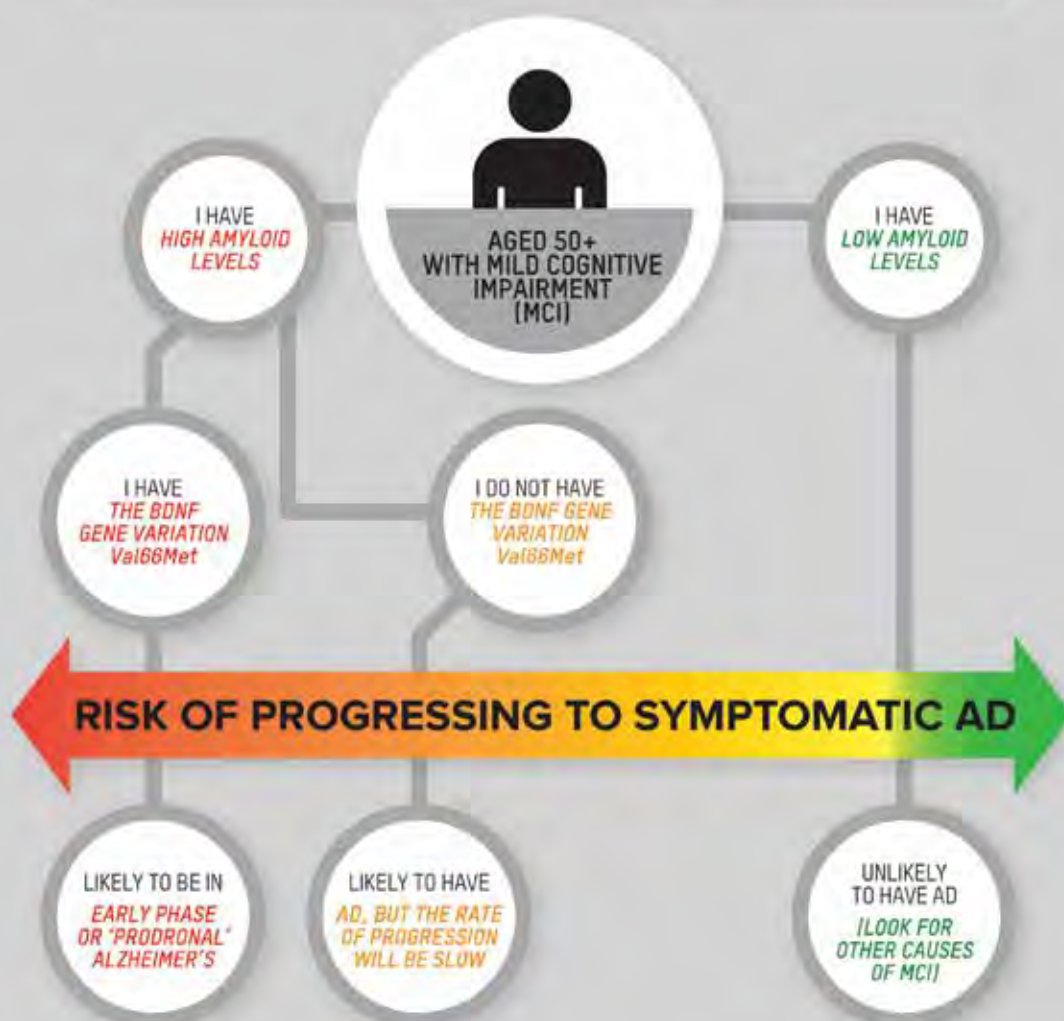
RESEARCH AND DEVELOPMENT

COGSTATE HAS DEVELOPED A GLOBAL REPUTATION FOR ENGAGING IN WORLD CLASS RESEARCH, ACROSS A BROAD RANGE OF PSYCHOLOGICAL AND NEUROPSYCHOLOGICAL DISORDERS, AND BOTH GENETIC AND MEDICAL CONDITIONS. THE WEALTH OF RESEARCH STUDIES INVOLVING COGSTATE AND THE IMPORTANT ROLE THAT RESEARCH PLAYS ACROSS OUR BUSINESS, HAS LED TO THE CREATION OF A DEDICATED RESEARCH DIVISION WITHIN THE COMPANY IN 2013.



FACTORS IN ALZHEIMER'S RISK

Studies using Cogstate testing have shown how a person's brain chemistry (high amyloid levels) and genetic makeup (BDNF gene variation Val66Met) determine Alzheimer's disease risk.



Beta-amyloid protein forms plaques in the brain, damaging neurons and leading to Alzheimer's disease (AD). The VAL66met section of the BDNF gene has been connected with memory retention.

Although this is not a revenue generating line of business, it is vitally important to both the growth and commercial strategies, and reputation, of all our business units.

The Research division has staff in Australia and the United States, enabling scientific and operations support to be provided to study teams worldwide. The Research division will also be a central hub for the integration and development of new products and innovations within Cogstate, such as the development of a fully-validated pediatric-specific battery; validation of a comprehensive Cogstate battery of tests on iPad and other tablet technology; and design, development and scientific validation of newly developed Cogstate computerised tests that will further enhance the breadth of cognitive domains measured by Cogstate technology.

Over the past year, the Research division has continued to build Cogstate's involvement in important international studies across various indications, including HIV, multiple sclerosis, pediatric and adult oncology, Parkinson's disease, epilepsy, and schizophrenia. In HIV specifically, Cogstate has ongoing collaborations in studies across Australia and internationally that screen for cognitive impairment among patients who are HIV-positive. In epilepsy, Cogstate is participating in The Human Epilepsy Project (HEP), a five-year, prospective, observational study evaluating the clinical characteristics and biomarkers among patients with recently diagnosed focal epilepsy. Cogstate is also working with the Columbia University Medical Centre, evaluating cognitive function among individuals diagnosed with early onset Parkinson's disease or family members of individuals diagnosed with Parkinson's disease.

Substantial efforts are also being made to further research in oncology, an example being an evaluation of the impact of chemotherapy on cognitive function among patients diagnosed with testicular cancer. Oncology work is also ongoing in pediatric populations. Research collaborations with the Children's Oncology

Group in Philadelphia and the Children's Medical Centre at Yale University are in progress. One such collaboration has a focus on cognitive training for pediatric brain tumor patients and young cancer survivors with the aim of developing methods to preserve neurocognitive functioning in those at risk of experiencing significant cognitive decline over time. Other collaborations are focused on the development of screening tools for use in pediatric oncology settings and evaluations of the impact of various treatment options on cognition in children diagnosed with acute lymphoblastic leukemia. Through use of the newly validated Cogstate pediatric battery, a strong emphasis has been on the collection of normative data for pediatric populations. This work has largely been possible through collaborations with academic and research institutions worldwide and comparisons between healthy and patient populations. Research findings and the development of normative data has contributed directly to new ventures in clinical trials. Specifically, an opportunity has arisen where a pharmaceutical company customer presented Cogstate data taken from an academic study to the FDA, and on the basis of that data, the FDA granted permission for the use of Cogstate as a primary outcome measure in an upcoming paediatric study. This positive outcome is expected to add to clinical trial sales in FY14.

In 2012 – 2013, Cogstate has continued to develop research in the area of dementia and Alzheimer's disease through collaborations with Pad2020 (Prevention of Alzheimer's disease by 2020). Cogstate computerised test batteries will be used in various studies in this domain, including evaluation of an anti-amyloid treatment of symptomatic Alzheimer's disease, observational research on the detection of disease-related changes in preclinical populations, and comparisons between the Cogstate computerised battery and neuroimaging variables through participation in the Mayo Clinic Study on Aging. Additional Cogstate research collaborations in dementia and Alzheimer's disease are outlined below.

DIAN (DOMINANTLY INHERITED ALZHEIMER NETWORK) - DIAN-TU-001 TRIAL

COGSTATE WAS SELECTED TO BE PART OF A WORLDWIDE CLINICAL TRIAL INVESTIGATING THE EARLY DETECTION OF ALZHEIMER'S DISEASE, BEING RUN BY THE INTERNATIONAL RESEARCH PARTNERSHIP DIAN (DOMINANTLY INHERITED ALZHEIMER NETWORK) OUT OF THE DOMINANTLY INHERITED ALZHEIMER NETWORK TRIALS UNIT (DIAN-TU) AT WASHINGTON UNIVERSITY SCHOOL OF MEDICINE IN ST. LOUIS.

This Phase II/Phase III clinical trial will evaluate whether two investigational drugs, currently being developed for the treatment of Alzheimer's disease, can halt or reverse pathological changes in the preclinical biomarkers known to be present in patients with the disease. It is one of the most important global studies in the early treatment of Alzheimer's disease that has ever been undertaken.

The trial will include 210 adults, of which 120 carry a gene mutation linked to a rare form of Alzheimer's disease, but have not yet demonstrated symptoms of the disease. The remaining trial participants do not carry the gene, but have a parent with the gene mutation.

A Cogstate battery (the only computerised test to be used in the trial) will assess cognitive domains such as attention, executive function, associative memory, and verbal and visual learning to participants from over 30 sites in the US, UK, Canada, Australia and Europe.

THE AUSTRALIAN IMAGING, BIOMARKER AND LIFESTYLE (AIBL) FLAGSHIP STUDY OF AGING

IN 2012-2013, COGSTATE CONTINUED ITS COLLABORATION WITH THE AIBL STUDY.

Commencing in November 2006 this study utilises neuroimaging, clinical, lifestyle, diet, and biological technologies to understand changes in the development and trajectory of Alzheimer's disease. The AIBL study is a world leading project being run in Melbourne and Perth, and has recruited more than 1200 people over 60 years of age, with each participant completing a standard battery of assessments every 18 months. During 2012-2013, the AIBL cohort completed their 54 month assessment, and commenced the 72 month assessment in early 2013. A Cogstate computerised test battery forms part of the comprehensive set of assessments administered to each participant. Cognitive domains measured by the Cogstate battery include psychomotor function, attention, working memory, and visual paired associate learning. These tests enable Cogstate and the study team to better understand cognitive change during the development of Alzheimer's disease, and determine those aspects that change or remain stable over time.

Further findings from this study were presented at the prestigious Alzheimer's Association International Conference held recently in Boston. These papers underscored the close relationship between elevated brain amyloid levels and a key gene (BDNF Val66Met gene) implicated in AD risk. It also again demonstrated the sensitivity of Cogstate's testing for the detection of mild cognitive impairment associated with the early stages of dementia and AD. Key findings, which help to stratify AD risk, include:

Among healthy older people, and people who meet clinical criteria for mild cognitive impairment

(MCI), high brain amyloid levels indicate that AD-related neurodegeneration has begun and that memory will now decline at a constant rate.

In healthy older people with abnormally high brain amyloid levels who also carry the BDNF Val66Met gene, memory and other aspects of cognition will decline faster than in those who do not carry this variant.

Older people diagnosed with MCI, and who have normal brain amyloid levels, do not show decline in memory over time and therefore their cognitive impairment may be due to other more readily treatable causes such as depression or stress.

The sensitivity of Cogstate's cognition testing was also confirmed as a "useful tool for the identification of AD-related memory impairment" in clinical settings.

Another study, co-authored by Cogstate's Chief Science Officer Paul Maruff and published in the journal *Neurology* in October 2012, showed how Cogstate testing could detect subtle cognitive decline in otherwise "healthy and cognitively normal" older people (mean age 76) who had elevated brain amyloid levels. They were confirmed as being in the earliest phase of Alzheimer's disease, and so could benefit from early intervention.

Cogstate's know-how and technology are at the forefront of this research, and position the company as the partner of choice for pharmaceutical companies who wish to evaluate their investigational products in pre-Alzheimer's and MCI subjects.



RATES OF CHANGE STUDY (ROCS)

DURING THE YEAR COGSTATE HAS CONTINUED WORK IN THE RATES OF CHANGE STUDY (ROCS), AN EXTENSION OF THE AIBL STUDY AND COLLABORATION BETWEEN ASTRA ZENECA, COGSTATE AND THE AIBL GROUP.

As part of ROCS, participants enrolled in the AIBL study complete a series of high frequency assessments, one assessment each month for 18 months, enabling Cogstate to measure subtle changes in cognitive functioning over brief periods. These data provide Cogstate scientists with the opportunity to evaluate the development of neurodegenerative diseases such as Alzheimer's disease and provide much needed information about cognitive function in the context of aging.

CONTENTS

CORPORATE DIRECTORY	27
REVIEW OF OPERATIONS AND ACTIVITIES	28
DIRECTORS' REPORT	29
CORPORATE GOVERNANCE STATEMENT	45
FINANCIAL STATEMENTS	51
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS	98
SHAREHOLDER INFORMATION	101

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 2013.

CORPORATE DIRECTORY

DIRECTORS

Martyn Myer - AO, BE, MESC, MSM, Chair

Brad O'Connor - B Bus, CA

David Simpson - BA (Honours) FAICD

Richard van den Broek - CFA

Rodolfo Chapa - LLB

SECRETARY

Claire Newstead-Sinclair - BBus, CA

Mark Edwards - BAcc, CA

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Link Market Services

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AUDITOR

Pitcher Partners

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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

REVIEW OF OPERATIONS AND ACTIVITIES

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Cogstate is a multi-faceted cognitive assessment and training company, focused on the development and commercialisation of rapid, computerised tests of cognition (brain function). It has three distinct business units:

Clinical Trials: 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. Since sales into the clinical trials market began in 2004, Cogstate has secured agreements with top pharmaceutical companies including Pfizer, AstraZeneca, Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Novartis, Lundbeck, Daiichi Sankyo, Targacept, Otsuka, and Servier.

Axon Sports: The mission of Axon Sports is to “protect and train the athletic brain”. Axon’s focus is to research, develop and deliver cutting edge tools to assess, monitor and improve the athletic brain.

Axon has been developing sport specific training products, initially focused on American football and baseball, and the resulting technologies have now been launched within a small number of elite US college and professional programs.

In the area of sports related concussion, Cogstate’s technology has been used by a number of highly regarded institutions and sporting organisations around the world for almost 10 years. That technology is now marketed to consumers as Axon Sports. Current users of Cogstate/Axon Sports in Australia include the AFL and NRL, whilst in the USA elite programs such as the NBA, WNBA, NHL as well as college programs such as University of Notre Dame, University of Michigan and University of Connecticut all use the Axon Sports system.

Healthcare: In the primary care or general practice setting, the Cogstate’s COGNIGRAM™ assesses cognition in patients and the reports generated on the basis of this assessment can

allow physicians to identify subtle changes that could be indicative of the early stage of a neurodegenerative disease, such as Alzheimer’s disease. Cogstate intends to develop COGNIGRAM™ to monitor changes in cognitive function following concussion or after treatment with drugs or other types of interventions. In June 2012, Cogstate entered into an agreement with Merck Canada Inc. providing it with the exclusive right to market and promote COGNIGRAM™ in Canada.

GROUP OVERVIEW

The Cogstate Group comprises Cogstate Ltd and five subsidiaries that are directly or indirectly all wholly owned:

- Cogstate Ltd: founded in 1999 and listed on the Australian Stock Exchange in February 2004;
- Cogstate Inc: incorporated in 2006 and wholly owned by Cogstate Ltd, Cogstate Inc. employs USA based staff, except those employed by Axon Sports LLC;
- Cogstate Sport Inc: incorporated in 2010 and wholly owned by Cogstate Inc to make the investment in Axon Sports LLC;
- Axon Sports LLC: the remaining 50% of Axon Sports LLC was acquired by Cogstate Sport Inc in August 2011, making it a wholly owned subsidiary of Cogstate Sport Inc;
- Axon Sports Pty Ltd: incorporated in 2011 and wholly owned by Cogstate Ltd to sell the concussion management technology in Australia; and
- Cogstate Canada Inc: incorporated in 2012 and wholly owned by Cogstate Ltd to market COGNIGRAM in Canada.

Cogstate has 5 primary offices in the following locations: an Australian head office based in Melbourne; three locations in the USA including a primary office in New Haven, CT and smaller offices in Phoenix, AZ and New York, NY; recently established was a European presence in Barcelona, Spain. Staff who are not based in one of these offices work remotely.



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 2013 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

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, CA

CHIEF EXECUTIVE OFFICER

Managing Director and 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.

INFORMATION ON DIRECTORS (CONTINUED)

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

NON-EXECUTIVE DIRECTOR LLB

Mr Chapa is an independent non-executive Director. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Mr Chapa is also 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. Claire commenced maternity leave on 1 July 2013.

The company secretary appointed during Ms Newstead-Sinclair's period of leave is Mark Edwards BAcc, CA. Mr Edwards was appointed company secretary in May 2013. Mark previously worked in the Assurance and Advisory Business Services division at Ernst & Young for 14 years and studied Accounting at Monash University and is also a member of the Institute of Chartered Accountants.

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	14,741,815	983,749
MR BRAD O'CONNOR	3,040,294	3,040,010
MR DAVID SIMPSON	999,205	83,333
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 was 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 developed neuro-cognitive training products for commercial sale.

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.

OPERATING RESULTS FOR THE YEAR

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

	FIRST HALF JUL - DEC 2012 \$	SECOND HALF JAN-JUN 2013 \$	FINANCIAL YEAR 2013 \$	FINANCIAL YEAR 2012 \$
RECOGNISED SALES REVENUE	6,075,797	6,386,959	12,462,756	12,014,411
REVENUE FROM PRINCIPAL ACTIVITIES	6,075,797	6,386,959	12,462,756	12,014,411
COST OF GOODS SOLD	(2,560,248)	(2,933,708)	(5,493,956)	(4,375,163)
GROSS PROFIT FROM PRINCIPAL ACTIVITIES	3,515,549	3,453,251	6,968,800	7,639,248

EXPENSES RELATING TO PRINCIPAL ACTIVITIES

EMPLOYEE BENEFITS EXPENSE	(1,993,182)	(2,781,278)	(4,774,460)	(3,056,528)
GENERAL ADMINISTRATION	(700,288)	(943,310)	(1,643,598)	(991,011)
TRAVEL EXPENSES	(410,926)	(517,270)	(928,196)	(664,578)
OTHER	(787,959)	(912,819)	(1,700,778)	(1,450,163)
TOTAL EXPENSES OF PRINCIPAL ACTIVITIES	(3,892,355)	(5,154,677)	(9,047,032)	(6,162,280)
NET PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES	(376,806)	(1,701,426)	(2,078,232)	1,476,968

OTHER REVENUE/(EXPENSES)

OTHER REIMBURSEMENT OF COSTS FROM AXON SPORTS LLC	-	-	-	138,474
REVALUATION OF INITIAL INVESTMENT IN AXON SPORTS	-	-	-	1,268,480
FINANCE INCOME	66,873	70,901	137,774	155,663
NET FOREIGN EXCHANGE GAIN/(LOSS)	(23,061)	567,055	543,994	66,030
OTHER	(24,909)	(27,118)	(52,027)	(442)
NON-RECURRING CONTRACT TERMINATION FEES	-	-	-	(42,904)
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	(16,983)	(137,389)	(154,372)	33,977
SHARE OF PROFIT/(LOSS) FROM JOINT VENTURE	-	-	-	(252,718)
FINANCE EXPENSES	(12,704)	(44,272)	(56,976)	(51,231)
TOTAL OTHER REVENUE/(EXPENSES)	(10,784)	429,177	418,393	1,315,329
OPERATING PROFIT/(LOSS) FROM OPERATIONS, BEFORE INCOME TAX	(387,590)	(1,272,249)	(1,659,839)	2,792,297
INCOME TAX CREDIT/(EXPENSE) ATTRIBUTABLE TO OPERATING RESULT	(106,571)	(190,823)	(297,394)	(340,335)
PROFIT/(LOSS) FROM OPERATIONS, AFTER INCOME TAX	(494,161)	(1,463,072)	(1,957,233)	2,451,962

Cogstate produced another solid revenue result in 2012-13, mirroring the revenue growth achieved last year and enabling the business to continue to fund new business units that will drive significant revenue growth in the future.

Total recognised revenue was \$12.46 million for the year ended to 30 June 2013, an increase of 4% over the previous year's result. The company posted a Net Loss After Tax of \$1.957 million. This was in line with our expectations and reflects the expenditure over the past year, towards the launch of new products in Healthcare and Axon Sports.

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 (2012: \$nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2013 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 2014 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. Cogstate has recently established an office in Spain that will enhance the companies ability to service Clinical Trials conducted in the European region.

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 were launched in the current year. Cogstate will also support Axon's planned expansion into the consumer training applications market.

In general practice medicine, Cogstate will focus on growing the use of COGNIGRAM™ as a tool for primary care physicians to assess cognitive decline in the Canadian market and will also assess opportunities for expansion into other markets.

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 2013, and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES			
	ATTENDED	ELIGIBLE TO ATTEND	AUDIT & COMPLIANCE		REMUNERATION & NOMINATION	
			ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND
MARTYN MYER	7	7	3	3	1	1
BRAD O'CONNOR	7	7				
DAVID SIMPSON	7	7	3	3	1	1
RICHARD VAN DEN BROEK	7	7	3	3	1	1
RODOLFO CHAPA	6	7	3	3	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 11,694,290 unissued ordinary shares under employee options, as well as a further 1,792,563 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 2013 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
12/7/2012	\$0.2727	109,259
23/8/2012	\$0.2727	382,556
31/8/2012	\$0.1756	182,129
5/9/2012	\$0.1756	127,315
25/10/2012	\$0.1027	175,000
25/10/2012	\$0.2727	127,468
6/11/2012	\$0.2500	16,667
6/11/2012	\$0.2400	5,556
29/11/2012	\$0.2400	25,000
29/11/2012	\$0.1027	30,000
6/3/2013	\$0.2400	375,000
6/6/2013	\$0.2727	455,001
		2,010,951

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	
	2013 \$	2012 \$
TAXATION SERVICES		
PITCHER PARTNERS FIRM:		
TAX COMPLIANCE SERVICES	60,060	21,766
TOTAL REMUNERATION FOR TAXATION SERVICES	60,060	21,766
OTHER SERVICES		
RELATED PRACTICES OF PITCHER PARTNERS	24,447	10,526
TOTAL REMUNERATION FOR NON-AUDIT SERVICES	84,507	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 on page 37.

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of CogState Limited

In relation to the independent audit for the year ended 30 June 2013, 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 2013



PITCHER PARTNERS
Melbourne

REMUNERATION REPORT

The directors are pleased to present your company's 2013 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 and general managers of the Parent and the Group.

DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

NAME	POSITION
NON-EXECUTIVE AND EXECUTIVE DIRECTORS - SEE PAGES 30 TO 31 ABOVE	
OTHER KEY MANAGEMENT PERSONNEL	
PROF PAUL MARUFF	CHIEF SCIENTIFIC OFFICER
SOPHIE EGHOLM	PRESIDENT CLINICAL TRIALS
DALE FRASER ***	CHIEF TECHNOLOGY OFFICER
ROGER O'SULLIVAN	GENERAL COUNSEL
ASSOC PROF DAVID DARBY *	CHIEF MEDICAL OFFICER
DR JOHN HARRISON **	PRINCIPAL SCIENTIST
JUDITH JAEGER ****	VICE PRESIDENT CLINICAL TRIALS
JASON SADA *****	PRESIDENT AXON SPORTS

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

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

*** Dale Fraser resigned his position on 15 March 2013

**** Judith Jaeger commenced her position on 21 May 2012

***** Jason Sada commenced his position on 26 March 2012

REMUNERATION PHILOSOPHY

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

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

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

REMUNERATION REPORT (CONTINUED)

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 2013 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.

REMUNERATION REPORT (CONTINUED)

EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (CONTINUED)

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 2013 financial year, STI payments were based on 67% individual KPI's and 33% 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. These options expire on 1 December 2015.

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

GENERAL EMPLOYEE SHARE OPTION PLAN

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.

REMUNERATION REPORT (CONTINUED)

GENERAL EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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.

- 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 and can vary from 30-90 days. 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.

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 unvested, or any vested options not exercised within 30 days of termination of the employment contract, will be forfeited.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2012 ANNUAL GENERAL MEETING

Cogstate Limited received more than 93% of "yes" votes on its remuneration report for the 2012 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

RELATIONSHIP BETWEEN REMUNERATION AND COGSTATE LIMITED'S PERFORMANCE

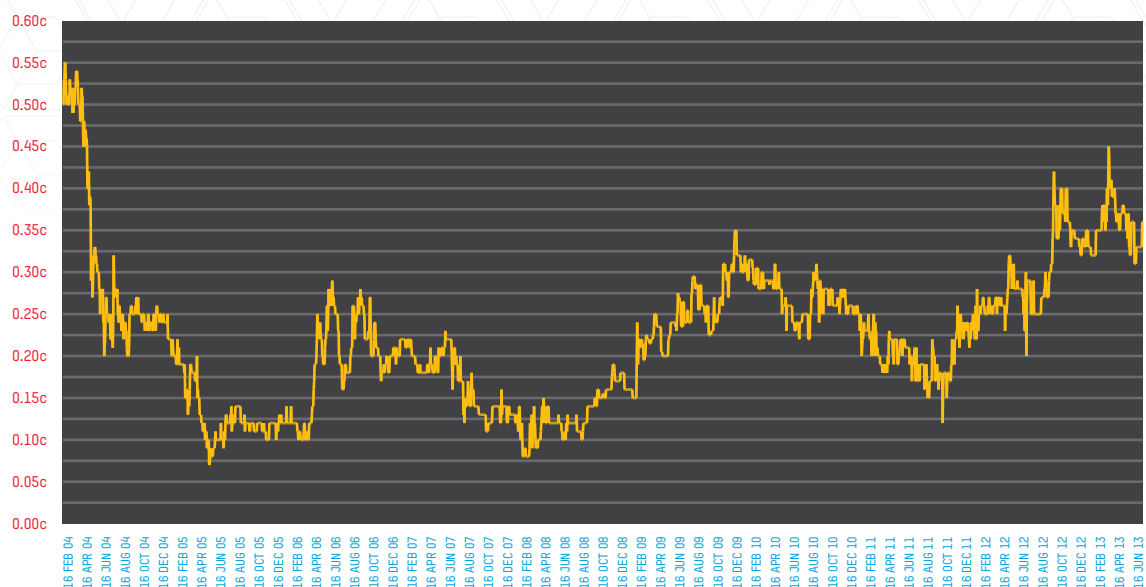
The following table shows key performance indicators for the group over the last 5 years :

CONSOLIDATED	2013	2012	2011	2010	2009
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF (\$'000)	(1,957.0)	2,452.0	(846.0)	1,638.0	1,430.0
BASIC EARNINGS PER SHARE (CENTS)	(2.6)	3.3	(1.3)	2.5	2.2
DIVIDENDS PAYMENTS (\$'000)	-	-	-	-	-
DIVIDEND RATIO (%)	-	-	-	-	-
INCREASE/(DECREASE) IN SHARE PRICE (CENTS)	+6.0	+11.0	(6.0)	+1.0	+12.0
TOTAL KMP INCENTIVES AS PERCENTAGE OF PROFIT/(LOSS) FOR THE YEAR (%)	(24.0)	29.0	(17.0)	11.0	32.0

REMUNERATION REPORT (CONTINUED)
PERFORMANCE OF COGSTATE LIMITED (CONTINUED)
RELATIONSHIP BETWEEN REMUNERATION AND COGSTATE LIMITED'S PERFORMANCE (CONTINUED)

The above graph illustrates the link between Cogstate Limited's profit/(loss) before tax and payments made under the STI plan. The correlation will be stronger in some years compared to others, since STI awards are made based on an assessment of both financial and non-financial performance criteria

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



DETAILS OF REMUNERATION 2013

	SHORT-TERM EMPLOYEE BENEFITS			POST-EM PLOYMENT BENEFITS	LONG- TERM BENEFITS		SHARE- BASED PAYMENTS	
NAME	CASH SALARY & FEES* \$	CASH BONUS** \$	NON- MONETARY BENEFITS \$	SUPERAN- NUATION \$	LONG SERVICE LEAVE \$	TERMINA- TION BENEFITS \$	OPTIONS \$	TOTAL \$
NON-EXECUTIVE DIRECTORS								
M MYER	77,982	-	-	7,018	-	-	8,232	93,232
D SIMPSON	25,000	-	-	25,000	-	-	4,116	54,116
R VAN DEN BROEK	50,000	-	-	-	-	-	6,616	56,616
R CHAPA	-	-	-	-	-	-	3,232	3,232
SUB-TOTAL NON-EXECUTIVE DIRECTORS	152,982	-	-	32,018	-	-	22,196	207,196
EXECUTIVE DIRECTORS								
B O'CONNOR	283,530	180,000	-	16,470	9,231	-	15,580	504,811
OTHER KEY MANAGEMENT PERSONNEL (GROUP)								
P MARUFF	251,267	100,000	32,263	16,470	15,957	-	16,089	432,046
S EGHOLM	209,938	94,164	-	10,622	-	-	6,911	321,635
D FRASER	366,995	-	-	16,470	27,367	-	-	410,832
R O'SULLIVAN	185,526	21,899	-	5,566	-	-	6,911	219,902
J JAEGER	234,349	21,899	-	18,036	-	-	25,658	299,942
JASON SADA	209,938	58,853	-	-	-	-	24,854	293,645
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION (GROUP)	1,894,525	476,815	32,263	115,652	52,555	-	118,199	2,690,009

* Rudy Chapa is reimbursed for his Cogstate related travel expenses in lieu of receiving the applicable director fee and Dale Fraser's remuneration includes a termination payment paid in March 2013.

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

REMUNERATION REPORT (CONTINUED)

DETAILS OF REMUNERATION 2012

	SHORT-TERM EMPLOYEE BENEFITS			POST-EM PLOYMENT BENEFITS	LONG- TERM BENEFITS		SHARE- BASED PAYMENTS	
NAME	CASH SALARY & FEES \$	CASH BONUS* \$	NON- MONETARY BENEFITS \$	SUPERAN- NUATION \$	LONG SERVICE LEAVE \$	TERMINA- TION BENEFITS \$	OPTIONS \$	TOTAL \$
NON-EXECUTIVE DIRECTORS								
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
J JAEGER	27,932	-	-	-	-	-	2,671	30,603
JASON SADA	34,615	-	-	-	-	-	-	34,615
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION (GROUP)	1,248,196	714,755	27,749	116,581	41,948	-	153,545	2,302,774

* 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 are as follows:

CONSOLIDATED

	STI		LTI *	
	2013 %	2012 \$	2013 \$	2012 \$
NON-EXECUTIVE DIRECTORS OF COGSTATE LIMITED				
D SIMPSON	-	-	8	16
M MYER	-	-	9	15
R VAN DEN BROEK	-	-	12	13
R CHAPA	-	-	100	18
EXECUTIVE DIRECTORS OF COGSTATE LIMITED				
B O'CONNOR	36	47	3	5
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
P MARUFF	23	40	4	5
S EGHOLM	29	29	2	11
D FRASER	-	30	-	4
R O'SULLIVAN	10	15	3	5
J SADA	20	-	8	-
J JAEGER	7	-	9	9

* 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.

REMUNERATION REPORT (CONTINUED)

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.

	VESTED NUMBER	GRANTED NUMBER	GRANT DATE	FAIR VALUE PER OPTION GRANT DATE	EXERCISE PRICE PER SHARE \$	FINAL VESTING DATE	FIRST EXERCISE DATE
DIRECTORS							
JASON SADA	-	750,000	13-JUL-12	\$0.1031	\$0.25	13-JUL-15	13-JUL-14

LAST EXERCISE DATE	VALUE OF OPTIONS GRANTED DURING THE YEAR \$	VALUE OF OPTIONS EXERCISED DURING THE YEARS \$	VALUE OF OPTIONS LAPSED DURING THE YEAR \$
13-JUL-17	\$24,854	-	-

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



Martyn Myer AO
Director

Melbourne
21 August 2013



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 GROUP'S CORPORATE GOVERNANCE POLICY CAN ALSO BE LOCATED AT WWW.COGSTATE.COM.

COGSTATE'S CORPORATE GOVERNANCE PRACTICES WERE IN PLACE THROUGHOUT THE YEAR ENDED 30 JUNE 2013.

LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT

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 TO ADD VALUE

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 judgment.

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 fulfill 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 five 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	13 YEARS 8 MONTHS
B O'CONNOR	7 YEARS 9 MONTHS
D SIMPSON	9 YEARS
R VAN DEN BROEK	3 YEARS
R CHAPA	2 YEARS

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING 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.

CODE OF CONDUCT

A summary of the Company's employment code of conduct is as follows:

- employees are expected to avoid personal situations, which might be construed as a conflict of interest.
- employees prior approval may not engage in any other business activity if pursued for gain, profit or other advantage during normal business hours.
- employees that are contemplating additional employment that may not be a conflict of interest must inform their Manager as this employment may place a burden on the individual or cause a conflict with possible emergency coverage required as part of their employment with Cogstate.
- employees are expected to adhere to all applicable international, federal, state and local laws and regulations.
- all employees must sign confidentiality agreements at the commencement of employment.

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 size, 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 2013, Cogstate Limited had 51% 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.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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.

MAKE TIMELY AND BALANCED DISCLOSURE

The Company does not have 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.

ASX listing rules are complied with and management are currently in the process of formally documenting the policies. Senior executives are aware of, and periodically reminded of, their accountability for compliance. Given the relatively small size of the organisation, this is regarded as a reasonable approach.

RESPECT THE RIGHTS OF SHAREHOLDERS

The Company communicates with its shareholders publicly by:

- providing timely and relevant business updates to the market via release to the ASX;
- providing timely and relevant business updates to the market via release to the ASX;
- placing all ASX releases on the Company website as soon as practicable after their release to the market;
- placing on the Company website all previous full year and half year financial reports; and
- placing on the Company website links to previous analyst reports and other external reports about the Company

RECOGNISE AND MANAGE 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

REMUNERATE FAIRLY AND RESPONSIBLY

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 fulfill 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.

CHIEF EXECUTIVE OFFICER CERTIFICATION

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

- 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	52
CONSOLIDATED BALANCE SHEET	53
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	54
CONSOLIDATED STATEMENT OF CASH FLOWS	55
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	56
DIRECTORS' DECLARATION	97
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS	98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

OPERATIONS	NOTES	CONSOLIDATED	
		2013 \$	2012 \$
REVENUE	5	12,462,756	12,014,411
FINANCE INCOME	5	137,774	155,663
TOTAL REVENUE	5	12,600,530	12,170,074
COST OF GOODS SOLD		(5,493,956)	(4,375,163)
GROSS PROFIT		7,106,574	7,794,911
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	(154,372)	33,977
EMPLOYEE BENEFITS EXPENSE	7	(4,774,460)	(3,056,528)
DEPRECIATION AND AMORTISATION	7	(396,697)	(317,017)
OCCUPANCY		(591,497)	(307,420)
MARKETING		(360,678)	(491,992)
PROFESSIONAL FEES		(351,906)	(333,734)
GENERAL ADMINISTRATION		(1,643,598)	(991,011)
NET FOREIGN EXCHANGE GAIN/(LOSS)		543,994	66,030
TRAVEL EXPENSES		(928,196)	(664,578)
FINANCE EXPENSES	7	(56,976)	(51,231)
OTHER		(52,027)	(442)
NON-RECURRING CONTRACT TERMINATION FEES		-	(42,904)
SHARE OF PROFIT/(LOSS) FROM ASSOCIATES		-	(252,718)
PROFIT/(LOSS) BEFORE INCOME TAX		(1,659,839)	2,792,297
INCOME TAX (EXPENSE)/BENEFIT	8	(297,394)	(340,335)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		(1,957,233)	2,451,962
PROFIT/(LOSS) FOR THE YEAR		(1,957,233)	2,451,962
OTHER COMPREHENSIVE INCOME			
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	22(A)	(167,068)	68,574
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,124,301)	2,520,536
PROFIT/(LOSS) IS ATTRIBUTABLE TO:			
OWNERS OF COGSTATE LIMITED		(1,957,233)	2,451,962
TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:			
OWNERS OF COGSTATE LIMITED		(2,124,301)	2,520,536

EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:

		CENTS	CENTS
BASIC EARNINGS PER SHARE	11	(2.6)	3.3
DILUTED EARNINGS PER SHARE	11	(2.6)	3.3

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:

BASIC EARNINGS PER SHARE	11	(2.6)	3.3
DILUTED EARNINGS PER SHARE	11	(2.6)	3.3

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

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2013

ASSETS	NOTES	CONSOLIDATED	
		2013 \$	2012 \$
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	12	3,392,617	4,659,512
TRADE AND OTHER RECEIVABLES	13	2,990,552	1,978,909
DERIVATIVE FINANCIAL INSTRUMENTS	14	-	62,843
OTHER CURRENT ASSETS	15	686,108	274,108
TOTAL CURRENT ASSETS		7,069,277	6,975,372
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	17	925,033	976,721
DEFERRED TAX ASSETS	9	637,775	1,250,230
INTANGIBLE ASSETS	18	2,422,142	2,704,078
TOTAL NON-CURRENT ASSETS		3,984,950	4,931,029
TOTAL ASSETS		11,054,227	11,906,401
LIABILITIES			
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	19	1,172,899	1,087,287
DERIVATIVE FINANCIAL INSTRUMENTS	14	91,529	-
PROVISIONS	20	820,515	532,369
TOTAL CURRENT LIABILITIES		2,084,943	1,619,656
NON-CURRENT LIABILITIES			
DEFERRED TAX LIABILITIES	10	155,550	57,660
PROVISIONS	20	4,417	6,771
TOTAL NON-CURRENT LIABILITIES		159,967	64,431
TOTAL LIABILITIES		2,244,910	1,684,087
NET ASSETS		8,809,317	10,222,314
EQUITY			
CONTRIBUTED EQUITY	21	16,262,304	15,676,970
OTHER RESERVES	22(A)	1,293,539	1,334,637
RETAINED EARNINGS	22(B)	(8,746,526)	(6,789,293)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF COGSTATE LIMITED		8,809,317	10,222,314
TOTAL EQUITY		8,809,317	10,222,314

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 2013

CONSOLIDATED	NOTES	ATTRIBUTABLE TO OWNERS OF COGSTATE LIMITED				TOTAL EQUITY \$
		CONTRIBUTED EQUITY \$	SHARE BASED PAYMENTS \$	FOREIGN CURRENCY TRANSLATION \$	RETAINED EARNINGS \$	
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:

CONTRIBUTIONS OF EQUITY, NET OF TRANSACTION COSTS AND TAX	21	1,268,511	-	-	-	1,268,511
BUY-BACK OF PREFERENCE SHARES, NET OF TAX	21	(5,588)	-	-	-	(5,588)
TRANSACTIONS WITH NON- CONTROLLING INTERESTS		-	(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

BALANCE AT 1 JULY 2012		15,676,970	1,339,275	(4,638)	(6,789,293)	10,222,314
LOSS FOR THE YEAR AS REPORTED IN THE 2013 FINANCIAL STATEMENTS		-	-	-	(1,957,233)	(1,957,233)
OTHER COMPREHENSIVE INCOME		-	-	(167,066)	-	(167,066)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-	(167,066)	(1,957,233)	(2,124,301)

TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:

EXERCISE OF OPTIONS		585,334	-	-	-	585,334
COST OF SHARE-BASED PAYMENT		-	125,968	-	-	125,968
		585,334	125,968	-	-	711,302
BALANCE AT 30 JUNE 2013		16,262,304	1,465,243	(171,704)	(8,746,526)	8,809,317

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 2013

		CONSOLIDATED	
	NOTES	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CUSTOMERS		11,666,609	11,094,938
PAYMENTS TO SUPPLIERS AND EMPLOYEES		(13,294,201)	(9,803,962)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	24	(1,627,592)	1,290,976
CASH FLOWS FROM INVESTING ACTIVITIES			
PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT	17	(405,803)	(343,092)
TAKE ON CASH BALANCE FROM ACQUISITION		-	131,230
INTEREST RECEIVED		166,909	156,514
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(238,894)	(55,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM ISSUES OF SHARES		585,334	80,229
TRANSACTION COSTS OF ISSUE OF SHARES		-	(5,588)
INTEREST PAYMENTS		(29,316)	(27,267)
NET CASH INFLOW FROM FINANCING ACTIVITIES		556,018	47,374
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,310,468)	1,283,002
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		4,659,512	3,306,562
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		43,573	69,948
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	3,392,617	4,659,512

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

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
1 Summary of significant accounting policies	58
2 Financial risk management	67
3 Critical accounting estimates and judgements	71
4 Segment information	72
5 Revenue	74
6 Other income	75
7 Expenses	75
8 Income tax expense	76
9 Non-current assets - Deferred tax assets	77
10 Non-current liabilities - Deferred tax liabilities	77
11 Earnings per share	77
12 Current assets - Cash and cash equivalents	78
13 Current assets - Trade and other receivables	79
14 Derivative financial instruments	80
15 Current assets - Other current assets	80
16 Investments in associates	81
17 Non-current assets - Property, plant and equipment	81
18 Non-current assets - Intangible assets	82
19 Current liabilities - Trade and other payables	84
20 Current liabilities - Provisions	84
21 Contributed equity	84
22 Other reserves and accumulated losses	85
23 Parent entity financial information	86
24 Reconciliation of profit after income tax to net cash inflow from operating activities	87
25 Related party transactions	89
26 Key management personnel disclosures	89
27 Share-based payments	91
28 Commitments and Contingencies	94
29 Business combination	94
30 Events occurring after the reporting period	96
31 Remuneration of auditors	96

CONTENTS OF THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

	PAGE
(a) Basis of preparation	58
(b) Principles of consolidation	58
(c) Segment reporting	59
(d) Foreign currency translation	59
(e) Revenue recognition	60
(f) Income tax	60
(g) Leases	61
(h) Business combinations	61
(i) Impairment of assets	62
(j) Cash and cash equivalents	62
(k) Trade receivables	62
(l) Derivatives and hedging activities	62
(m) Property, plant and equipment	63
(n) Intangible assets	63
(o) Trade and other payables	63
(p) Provisions	63
(q) Employee benefits	64
(r) Contributed equity	65
(s) Earnings per share	65
(t) Goods and Services Tax (GST)	65
(u) New accounting standards and interpretations	65

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 2012 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 2012.

(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 2013 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) PRINCIPLES OF CONSOLIDATION (CONTINUED)

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.

(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
- Administration costs

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) FOREIGN CURRENCY TRANSLATION (CONTINUED)

(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.

Sales commissions payable in relation to particular test sales are recorded as a cost of sale at the same point in time in which the revenue is recognised.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) INCOME TAX (CONTINUED)

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 the acquisition in 2011 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Q) EMPLOYEE BENEFITS (CONTINUED)

(III) SHARE-BASED PAYMENTS (CONTINUED)

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.

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 2015).

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 2013.

(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 for financial years commencing on or after 1 January 2013).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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.

The company has performed a detailed analysis of the new requirements and has determined AASB 10 and AASB 11 have no impact on the composition of the consolidated company.

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 in a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. AASB 128 does not currently impact the consolidated entity.

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 for financial years commencing on or after 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 99% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 43% 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, during the current year 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 2013 AUD \$	30 JUNE 2012 AUD \$
CASH AND CASH EQUIVALENTS	744,429	1,018,824
TRADE RECEIVABLES	2,404,942	1,826,594
TRADE PAYABLES	(783,574)	(832,024)
NET EXPOSURE	2,365,797	2,013,394
FORWARD EXCHANGE CONTRACTS - BUY FOREIGN CURRENCY	(91,529)	62,843

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) MARKET RISK (CONTINUED)

(I) FOREIGN EXCHANGE RISK (CONTINUED)

Sensitivity

At 30 June 2013, 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 = \$US0.9132, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT		EQUITY	
	HIGHER 2013 \$	(LOWER) 2012 \$	HIGHER 2013 \$	(LOWER) 2012 \$
AUD:USD + 10%	(123,555)	(216,808)	(123,555)	(216,808)
AUD:USD - 10%	354,381	196,399	354,381	196,399

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	
	2013 \$	2012 \$	2013 \$	2012 \$
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	500,000	1,100,000	1.025	0.9905
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	500,000	1,650,000	1.025	0.9912
	1,000,000	2,750,000	1.025	0.9909

Sensitivity

In relation to the forward exchange contracts listed above, at 30 June 2013, 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 = \$US0.9132, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT		EQUITY	
	HIGHER 2013 \$	(LOWER) 2012 \$	HIGHER 2013 \$	(LOWER) 2012 \$
AUD:USD + 10%	(19,891)	314,327	(19,891)	314,327
AUD:USD - 10%	(241,183)	(232,533)	(241,183)	(232,533)

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(A) MARKET RISK (CONTINUED)

(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:

CONSOLIDATED	30 JUNE 2013 2013 \$	30 JUNE 2012 2012 \$
CASH AT BANK AND ON HAND	758,188	1,339,486
SHORT-TERM DEPOSITS	2,634,429	3,320,026
NET EXPOSURE TO INTEREST RATE RISK	3,392,617	4,659,512

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 2013 \$	(LOWER) 2012 \$	HIGHER 2013 \$	(LOWER) 2012 \$
INCREASE 1%	33,926	46,595	33,926	46,595
DECREASE 0.5%	16,963	(23,298)	16,963	(23,928)

(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.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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	LESS THAN 6 MONTHS \$	6 - 12 MONTHS \$	BETWEEN 1 AND 2 YEARS \$	BETWEEN 2 AND 5 YEARS \$	OVER 5 YEARS \$	TOTAL CONTRACTUAL CASH FLOWS \$
AT 30 JUNE 2013						
FINANCIAL LIABILITIES	1,172,898	-	-	-	-	1,172,898
AT 30 JUNE 2012						
FINANCIAL LIABILITIES	1,087,286	-	-	-	-	1,087,286

Cogstate has unused limits/facilities with the National Australia Bank and Citibank. At balance date, the Group has available approximately \$51,770 of unused credit facilities available for its immediate use (2012: \$81,836)

(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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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
- 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 2013 and 30 June 2012:

CONSOLIDATED - AT 30 JUNE 2013	LEVEL 1 \$	LEVEL 2 \$	LEVEL 3 \$	TOTAL \$
OTHER DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH THE PROFIT AND LOSS	-	91,529	-	91,529
TOTAL LIABILITIES	-	91,529	-	91,529

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

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 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 in Australia 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.

GOING CONCERN ASSUMPTION

The 2013 financial statements have been prepared on a going concern basis. The going concern assumption continues to apply to Cogstate as at 30 June 2013 despite the current year operating loss result. This is based on the group continuing to be in a positive net asset position, having no external debt and continues to carry significant cash reserves that enable the group to meet its debts as and when they fall due.

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

4 SEGMENT INFORMATION (CONTINUED)

(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 2013 and 30 June 2012.

	CLINICAL TRIALS \$	SPORT MARKET \$	PRIMARY CARE PHYSICIAN MARKET \$	UNALLOCATED \$	TOTAL \$
CONSOLIDATED 2013					
SALES TO EXTERNAL CUSTOMERS	11,802,627	656,258	3,871	-	12,462,756
REVENUE FROM EXTERNAL CUSTOMERS	11,802,627	656,258	3,871	-	12,462,756
COST OF GOODS SOLD	(4,733,615)	(557,294)	(203,047)	-	(5,493,956)
TOTAL SEGMENT GROSS PROFIT	7,069,012	98,964	(199,176)	-	6,968,800

INTEREST REVENUE	-	-	-	137,774	137,774
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TOTAL GROSS PROFIT PER STATEMENT OF COMPREHENSIVE INCOME					7,106,574
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OPERATING PROFIT	6,484,815	(1,200,126)	(535,684)	(6,713,569)	(1,964,564)
FOREIGN EXCHANGE GAIN/(LOSS) REALISED AND UNREALISED	-	-	-	543,993	543,993
PROFIT/(LOSS) ON DISPOSAL OF ASSETS	-	-	-	(27,920)	(27,920)
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	-	-	-	(154,372)	(154,372)
FINANCE COSTS	-	-	-	(56,976)	(56,976)
SEGMENT RESULT	6,484,815	(1,200,126)	(535,684)	(6,408,844)	(1,659,839)
PROFIT/(LOSS) BEFORE TAX PER STATEMENT OF COMPREHENSIVE INCOME	6,484,815	(1,200,126)	(535,684)	(6,408,844)	(1,659,839)

4 SEGMENT INFORMATION (CONTINUED)

(B) SEGMENT INFORMATION (CONTINUED)

	CLINICAL TRIALS \$	SPORT MARKET \$	PRIMARY CARE PHYSICIAN MARKET \$	UNALLOCATED \$	TOTAL \$
CONSOLIDATED 2012					
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
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OPERATING PROFIT	7,104,485	(1,254,006)	(93,366)	(4,124,482)	1,632,631
NON-RECURRING TERMINATION FEES	-	-	-	(42,904)	(42,904)
FOREIGN EXCHANGE GAIN/(LOSS) REALISED AND UNREALISED	-	-	-	66,030	66,030
PROFIT/(LOSS) ON DISPOSAL OF ASSETS	-	-	-	(874)	(874)
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	-	-	-	33,977	33,977
SHARE OF LOSS IN JOINT VENTURE	-	-	-	(252,718)	(252,718)
FINANCE COSTS	-	-	-	(51,231)	(51,231)
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
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

(C) SEGMENT REVENUE

Cogstate Ltd had 3 external customers whose respective contribution to total Cogstate Ltd revenue exceeded 10% during the current financial year. Those customers and their respective contributions to total revenue included:

- Takeda Pharmaceuticals - \$1.78m
- Novartis Pharma AG - \$1.51m
- Shire Pharmaceuticals - \$1.39m

5 REVENUE

	CONSOLIDATED	
	2013 \$	2012 \$
FROM CONTINUING OPERATIONS - SALES REVENUE		
SALE OF SERVICES AND TESTS IN CLINICAL TRIALS	11,802,627	11,794,227
SALE OF SERVICES AND TESTS IN SPORT	660,129	220,184
SALE OF SERVICES AND TESTS IN HEALTHCARE	3,871	-
	12,462,756	12,014,411
FINANCE INCOME	137,774	155,663
	12,600,530	12,170,074

6 OTHER INCOME

		CONSOLIDATED
	2013	2012
	\$	\$
REVALUATION OF INITIAL INVESTMENT IN AXON SPORTS	-	1,268,480
OTHER REIMBURSEMENT OF COSTS FROM AXON SPORTS LLC	-	138,474
FAIR VALUE GAIN/(LOSS) ON DERIVATIVE	(154,372)	33,977
	(154,372)	1,440,931

7 EXPENSES

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

	2013	2012
	\$	\$
DIRECT WAGES & SALARIES (PART OF COST OF GOOD SOLD)	(4,022,383)	(2,783,613)
INDIRECT WAGES & SALARIES	(4,648,491)	(3,001,033)
SHARE BASED PAYMENTS EXPENSE	(125,968)	(55,494)
TOTAL EMPLOYEE BENEFITS EXPENSES	(8,796,842)	(5,840,140)

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 (PART OF COST OF GOODS SOLD)	(314,811)	(268,906)
OTHER INDIRECT DEPRECIATION EXPENSE	(114,760)	(82,081)
TOTAL DEPRECIATION	(429,571)	(350,987)

AMORTISATION

INTELLECTUAL PROPERTY	(281,937)	(234,936)
TOTAL DEPRECIATION AND AMORTISATION	(724,468)	(585,923)

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

FINANCE COSTS

INTEREST AND FINANCE CHARGES PAID	(56,976)	(51,231)
REALISED/UNREALISED FOREIGN EXCHANGE GAIN/LOSS	543,994	(66,030)
NET LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	(27,920)	(874)
CONTRACT TERMINATION FEES	-	(42,904)

RENTAL EXPENSE RELATING TO OPERATING LEASES

MINIMUM LEASE PAYMENTS	(572,390)	(313,165)
OUTGOINGS	(19,106)	(21,146)
TOTAL RENTAL EXPENSE RELATING TO OPERATING LEASES	(591,496)	(334,311)

8 INCOME TAX EXPENSE

(A) INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2013 \$	2012 \$
CURRENT TAX	-	-
DEFERRED TAX	294,631	313,560
ADJUSTMENTS FOR CURRENT TAX OF PRIOR PERIODS	2,763	26,775
	297,394	340,335
INCOME TAX EXPENSE/(BENEFIT) IS ATTRIBUTABLE TO:		
PROFIT FROM CONTINUING OPERATIONS	297,394	340,335

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2013 \$	2012 \$
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	(1,659,839)	2,792,297
TAX AT THE AUSTRALIAN TAX RATE OF 30.0% (2012 - 30.0%)	(497,952)	837,689
TAX EFFECT OF AMOUNTS WHICH ARE NOT DEDUCTIBLE (TAXABLE) IN CALCULATING TAXABLE INCOME:		
INTELLECTUAL PROPERTY IMPAIRMENT	84,581	70,481
SUNDRY ITEMS	-	(394,075)
EXPENDITURE NOT DEDUCTIBLE FOR INCOME TAX PURPOSES (INCL. R&D)	402,736	(96,310)
	(10,635)	417,785
DIFFERENCE IN OVERSEAS TAX RATES	-	(1,835)
ADJUSTMENTS FOR CURRENT TAX OF PRIOR PERIODS	2,763	26,775
TAX LOSSES (RECOGNISED)/UNRECOGNISED	305,266	476,478
PREVIOUSLY UNRECOGNISED TAX LOSSES NOW RECOGNISED	-	(578,868)
INCOME TAX EXPENSE/(BENEFIT)	297,394	340,335

(C) TAX LOSSES

	CONSOLIDATED	
	2013 \$	2012 \$
UNUSED TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET HAS BEEN RECOGNISED (CUMULATIVE)	733,588	651,813
POTENTIAL TAX BENEFIT OF FOREIGN LOSSES (CURRENT YEAR)	248,257	452,426

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	
	2013 \$	2012 \$
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
TAX LOSSES	354,541	1,046,361
EMPLOYEE BENEFITS	247,480	161,742
ACCRUED EXPENSES	28,036	30,926
UNREALISED FOREIGN EXCHANGE LOSS	486	11,201
DOUBTFUL DEBTS	7,232	-
	637,775	1,250,230

10 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED	
	2013 \$	2012 \$
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:		
ACCRUED INTEREST INCOME	6,472	10,273
UNREALISED FOREIGN EXCHANGE GAIN	149,078	47,387
	155,550	57,660

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	
	2013 CENTS	2012 CENTS
FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	(2.6)	3.3
TOTAL BASIC EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	(2.6)	3.3

(B) DILUTED EARNINGS PER SHARE

	CONSOLIDATED	
	2013 CENTS	2012 CENTS
FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	(2.6)	3.3
TOTAL DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	(2.6)	3.3

11 EARNINGS PER SHARE (CONTINUED)

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

	CONSOLIDATED	
BASIC EARNINGS PER SHARE	2013 \$	2012 \$
PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY USED IN CALCULATING BASIC EARNINGS PER SHARE:		
USED IN CALCULATING BASIC EARNINGS PER SHARE	(1,957,233)	2,451,962
DILUTED EARNINGS PER SHARE		
PROFIT/(LOSS) FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY USED IN CALCULATING BASIC EARNINGS PER SHARE	(1,957,233)	2,451,962

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	CONSOLIDATED	
	2013 NUMBER	2012 NUMBER
NUMBER	2012	
NUMBER		
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED AS THE DENOMINATOR IN CALCULATING BASIC EARNINGS PER SHARE	76,037,698	73,437,795
ADJUSTMENTS FOR CALCULATION OF DILUTED EARNINGS PER SHARE:		
OPTIONS	4,150,194	1,164,246
WEIGHTED AVERAGE NUMBER OF ORDINARY AND POTENTIAL ORDINARY SHARES USED AS THE DENOMINATOR IN CALCULATING DILUTED EARNINGS PER SHARE	80,187,892	74,602,041

(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.

5,657,311 options are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2013 ('out of the money' and/or unvested). 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.

The fair value of cash, cash equivalents and short term deposits is \$3,392,617 (2012: \$4,659,512)

	CONSOLIDATED	
	2013 \$	2012 \$
CASH AT BANK AND IN HAND	758,188	1,339,486
SHORT-TERM DEPOSITS	2,634,429	3,320,026
	3,392,617	4,659,512

12 CURRENT ASSETS - CASH AND CASH EQUIVALENTS (CONTINUED)**(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	
	2013 \$	2012 \$
CASH AT BANK AND IN HAND	758,188	1,339,486
SHORT-TERM DEPOSITS	2,634,429	3,320,026
BALANCES PER CONSOLIDATED STATEMENT OF CASH FLOWS	3,392,617	4,659,512

13 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2013 \$	2012 \$
TRADE RECEIVABLES	3,014,659	1,978,909
PROVISION FOR IMPAIRMENT OF RECEIVABLES (A)	(24,107)	-
	2,990,552	1,978,909

(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. An impairment loss of \$24,107 has been recognised by the consolidated group in the current year (2012: \$nil).

(B) PAST DUE BUT NOT IMPAIRED

	CONSOLIDATED	
	2013 \$	2012 \$
61-90 DAYS	13,629	34,963

Receivables past due but not considered impaired are \$13,629 (2012: \$34,963). 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.

14 DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2013 \$	2012 \$
CURRENT ASSETS		
FORWARD FOREIGN EXCHANGE CONTRACTS	-	62,843
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT ASSETS	-	62,843
CURRENT LIABILITIES		
FORWARD FOREIGN EXCHANGE CONTRACTS	91,529	-
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES	91,529	-
	(91,529)	62,843

(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 99% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 43% 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	
	2013 \$	2012 \$	2013	2012
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	500,000	1,100,000	1.025	0.9905
SELL US\$ MATURITY 3-15 MONTHS - CONSOLIDATED	500,000	1,650,000	1.025	0.9912
	1,000,000	2,750,000	1.025	0.9909

15 CURRENT ASSETS - OTHER CURRENT ASSETS

	CONSOLIDATED	
	2013 \$	2012 \$
ACCRUED INCOME	74,372	68,286
PREPAYMENTS	154,616	113,645
DEPOSITS PAID	18,155	11,258
GST RECEIVABLE	12,471	2,210
INCOME TAX RECEIVABLE	22,989	65,868
DEFERRED EXPENSES	-	692
OTHER DEBTORS	403,505	12,149
	686,108	274,108

16 INVESTMENTS IN ASSOCIATES

(A) MOVEMENTS IN CARRYING AMOUNTS

	2013 \$	CONSOLIDATED 2012 \$
CARRYING AMOUNT AT THE BEGINNING OF THE FINANCIAL YEAR	-	115,536
SHARE OF LOSSES	-	(252,718)
ADDITIONAL INVESTMENT IN AXON SPORTS LLC	-	138,474
FX MOVEMENTS IN VALUATION	-	(1,292)
CARRYING AMOUNT AT THE END OF THE FINANCIAL YEAR	-	-

(B) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

2012

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

	2013 \$	CONSOLIDATED 2012 \$
PROPERTY, PLANT AND EQUIPMENT		
GROSS VALUE	2,958,465	2,690,180
ACCUMULATED DEPRECIATION	(2,033,432)	(1,713,459)
	925,033	976,721
	925,033	976,721

CONSOLIDATED YEAR ENDED 30 JUNE 2013	PLANT AND EQUIPMENT \$	TOTAL \$
OPENING NET BOOK AMOUNT	976,721	976,721
ADDITIONS	405,803	405,803
DEPRECIATION CHARGE	(429,571)	(429,571)
IMPAIRMENT LOSS	(27,920)	(27,920)
CLOSING NET BOOK AMOUNT	925,033	925,033

CONSOLIDATED YEAR ENDED 30 JUNE 2012	PLANT AND 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)
IMPAIRMENT LOSS	(874)	(874)
CLOSING NET BOOK AMOUNT	976,721	976,721

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	
	2013 \$	2012 \$
INTELLECTUAL PROPERTY – DEFINITE USEFUL LIFE		
GROSS VALUE	2,537,430	2,537,430
ACCUMULATED AMORTISATION	(516,872)	(234,936)
	2,020,558	2,302,494
INTELLECTUAL PROPERTY – INDEFINITE USEFUL LIFE		
GROSS VALUE	401,584	401,584
	2,422,142	2,704,078

CONSOLIDATED YEAR ENDED 30 JUNE 2013	INTELLECTUAL PROPERTY – DEFINITE USEFUL LIFE \$	INTELLECTUAL PROPERTY – INDEFINITE USEFUL LIFE \$	TOTAL \$
OPENING NET BOOK AMOUNT	2,302,494	401,584	2,704,078
AMORTISATION CHARGE	(281,936)	-	(281,936)
CLOSING NET BOOK AMOUNT	2,020,558	401,584	2,422,142

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

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 2013. No impairment loss was recognised for operations in the 2013 financial year.

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

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 (INDEFINITE LIFE INTELLECTUAL PROPERTY)

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 2013 and 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 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 (DEFINITE USEFUL LIFE INTELLECTUAL PROPERTY)

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 five 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 2013.

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	
	2013 \$	2012 \$
TRADE PAYABLES	220,131	139,107
EMPLOYEE RELATED PAYABLES	64,383	681,983
ACCRUED PAYABLES	780,748	242,685
REVENUE IN ADVANCE	107,637	23,512
	1,172,899	1,087,287

20 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2013 \$	2012 \$
CURRENT		
ANNUAL LEAVE	649,354	375,364
LONG SERVICE LEAVE	171,161	157,005
CURRENT PROVISIONS	820,515	532,369
NON-CURRENT		
LONG SERVICE LEAVE	4,417	6,771
	4,417	6,771
TOTAL PROVISIONS	824,932	539,140

21 CONTRIBUTED EQUITY

(A) SHARE CAPITAL

	NOTES	2013 SHARES	2012 SHARES	2013 \$	2012 \$
ORDINARY SHARES					
ORDINARY SHARES - FULLY PAID	21(B), 21(C)	77,213,085	74,783,306	16,262,304	15,676,970

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES	\$
7 JANUARY 2011	OPENING BALANCE	66,556,987	14,333,818
	EXERCISE OF OPTIONS	764,489	80,229
	EXERCISE OF OPTIONS	7,461,830	1,268,511
	EXERCISE OF OPTIONS	-	(5,588)
30 JUNE 2012	BALANCE	74,783,306	15,676,970
	EXERCISE OF OPTIONS	2,429,779	585,334
30 JUNE 2013	BALANCE	77,213,085	16,262,304

(C) ORDINARY SHARES

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

21 CONTRIBUTED EQUITY (CONTINUED)

(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 2013.

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

22 OTHER RESERVES AND ACCUMULATED LOSSES

(A) OTHER RESERVES

	CONSOLIDATED	
	2013 \$	2012 \$
SHARE-BASED PAYMENTS	1,465,243	1,339,275
FOREIGN CURRENCY TRANSLATION	(171,704)	(4,638)
	1,293,539	1,334,637

		CONSOLIDATED	
	NOTES	2013 \$	2012 \$
MOVEMENTS:			
SHARE-BASED PAYMENTS			
OPENING BALANCE		1,339,275	1,447,805
OPTION EXPENSE	27	125,968	55,495
TRANSFER TO RETAINED EARNINGS	27	-	(164,025)
BALANCE 30 JUNE		1,465,243	1,339,275
FOREIGN CURRENCY TRANSLATION			
OPENING BALANCE		(4,638)	(73,212)
CURRENCY TRANSLATION DIFFERENCES ARISING DURING THE YEAR		(167,066)	68,574
BALANCE 30 JUNE		(171,704)	(4,638)

		2013 \$	2012 \$
SHARE BASED PAYMENTS			
EMPLOYEES		1,312,988	1,188,283
NON-EMPLOYEES		152,245	150,992
		1,465,243	1,339,275

22 OTHER RESERVES AND ACCUMULATED LOSSES (CONTINUED)

(B) ACCUMULATED LOSSES

Movements in retained earnings were as follows:

		CONSOLIDATED
	2013 \$	2012 \$
BALANCE 1 JULY	(6,789,293)	(9,405,280)
NET PROFIT FOR THE YEAR	(1,957,233)	2,451,962
TRANSFER FROM SHARE BASED PAYMENTS RESERVE	-	164,025
BALANCE 30 JUNE	(8,746,526)	(6,789,293)

(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 industry 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

	2013 \$	2012 \$
BALANCE SHEET		
CURRENT ASSETS	6,810,040	6,544,736
TOTAL ASSETS	13,074,002	12,060,548
CURRENT LIABILITIES	1,898,141	1,175,509
TOTAL LIABILITIES	1,898,141	1,239,940
NET ASSETS	11,175,861	10,820,608
SHAREHOLDERS' EQUITY		
ISSUED CAPITAL	16,262,304	15,676,970
RESERVES		
SHARE-BASED PAYMENTS	1,143,538	1,095,573
RETAINED EARNINGS	(6,229,981)	(5,951,935)
TOTAL SHAREHOLDERS' EQUITY	11,175,861	10,820,608
PROFIT OR LOSS FOR THE YEAR	(278,044)	2,932,223
TOTAL COMPREHENSIVE INCOME	(278,044)	2,932,223

23 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

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

	2013 \$	2012 \$
FINANCIAL GUARANTEE IN RELATION TO COMMERCIAL LEASE	88,784	88,784
CONTRACTUAL COMMITMENTS IN RELATION TO COMMERCIAL LEASES	351,774	534,021
	440,558	622,805

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

	CONSOLIDATED	
	2013 \$	2012 \$
PROFIT/(LOSS) FOR THE YEAR	(1,957,233)	2,451,962
DEPRECIATION AND AMORTISATION	711,507	585,924
WRITE OFF OF ASSETS	27,920	874
NON-CASH EMPLOYEE BENEFITS EXPENSE - SHARE-BASED PAYMENTS	125,969	55,495
INTEREST INCOME	(166,909)	(156,514)
INTEREST PAID	29,316	27,267
FAIR VALUE ADJUSTMENT TO DERIVATIVES	154,372	(33,977)
SHARE OF LOSS AXON SPORTS LLC	-	252,718
NET EXCHANGE DIFFERENCES	(210,642)	(87,823)
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	(1,011,643)	(776,149)
(INCREASE) DECREASE IN DEFERRED TAX ASSETS	612,455	266,363
(INCREASE) DECREASE IN OTHER OPERATING ASSETS	(413,906)	172,050
(DECREASE) INCREASE IN TRADE CREDITORS	85,611	59,719
(DECREASE) INCREASE IN PROVISION FOR INCOME TAXES PAYABLE	145,266	7,499
(DECREASE) INCREASE IN DEFERRED TAX LIABILITIES	(4,496)	47,195
(DECREASE) INCREASE IN OTHER PROVISIONS	285,792	22,099
(INCREASE) DECREASE IN PREPAYMENTS	(40,971)	(72,394)
(INCREASE)/DECREASE FOR TAKE ON NET ASSETS OF AXON SPORTS LLC UPON ACQUISITION	-	(124,378)
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	(1,627,592)	1,290,976

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	
		2013 %	2012 %
COGSTATE INC	USA	100	100
COGSTATE SPORT INC	USA	100	100
AXON SPORTS LLC	USA	100	100
AXON SPORTS PTY LTD	AUSTRALIA	100	100
COGSTATE CANADA INC	CANADA	100	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.

During the 2012 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.

During the 2012 financial year, 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.

(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\$16,460 to Trilane Industries Ltd (trading as Whare Kea Lodge), a director-related entity of Martyn Myer.

Edwina Myer, daughter of Martyn Myer began employment with Cogstate Inc on 19 February 2013 as a legal clerk. Remuneration and terms of this employment were all made on a normal arm's length basis.

26 KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED	
	2013 \$	2012 \$
SHORT-TERM EMPLOYEE BENEFITS	2,403,601	1,990,700
POST-EMPLOYMENT BENEFITS	115,653	116,581
LONG-TERM BENEFITS	52,555	41,948
SHARE-BASED PAYMENTS	118,200	153,544
	2,690,009	2,302,773

Detailed remuneration disclosures are provided in the remuneration report on pages 38 to 44.

(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 2013 NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
DIRECTORS OF COGSTATE LIMITED							
M MYER	1,475,564	-	(491,815)	-	983,749	783,749	200,000
D SIMPSON	415,000	-	(331,667)	-	83,333	-	83,333
R VAN DEN BROEK	150,000	-	-	-	150,000	-	150,000
R CHAPA	100,000	-	-	-	100,000	-	100,000
B O'CONNOR *	2,670,000	-	(582,469)	952,479	3,040,010	2,640,010	400,000
TOTAL	4,810,564	-	(1,405,951)	952,479	4,357,092	3,423,759	933,333
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP							
P MARUFF	2,516,872	-	-	(42,022)	2,474,850	2,074,850	400,000
S EGHOLM	825,000	-	-	-	825,000	650,000	175,000
D FRASER	700,000	-	(550,000)	(150,000)	-	-	-
R O'SULLIVAN	675,000	-	-	-	675,000	500,000	175,000
J JAEGER	500,000	-	-	-	500,000	-	500,000
J SADA	-	750,000	-	-	750,000	-	750,000
TOTAL	5,216,872	750,000	(550,000)	(192,022)	5,224,850	3,224,850	2,000,000

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

* Brad O'Connor acquired 952,479 investor options from a third party on 4 September 2012 for consideration of \$11,722.

26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL (CONTINUED)

CONSOLIDATED 2012 NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE	UNVESTED
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
TOTAL	4,391,674	550,000	-	(131,110)	4,810,564	3,436,814	1,373,750

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
J JAEGER	-	500,000	-	-	500,000	-	500,000
TOTAL	4,820,363	1,050,000	(92,500)	(560,991)	5,216,872	3,791,872	1,425,000

(III) 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 2013 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
DIRECTORS OF COGSTATE LIMITED - ORDINARY SHARES				
M MYER	14,000,000	491,815	250,000	14,741,815
D SIMPSON	607,538	331,667	60,000	999,205
R VAN DEN BROEK	3,320,000	-	-	3,320,000
R CHAPA	12,961,831	-	-	12,961,831
B O'CONNOR	2,457,825	582,469	-	3,040,294

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
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

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	
	2013 \$	2012 \$
OPTIONS ISSUED UNDER EMPLOYEE SHARE OPTION PLAN	125,968	55,495

Reconciliation of share-based payment expense for the 2013 financial year is as follows:

CONSOLIDATED	2013 \$	2012 \$
EXPENSE REVERSED AS OPTIONS NOT FULLY VESTED LAPSED	(10,307)	(115,994)
EXPENSE FOR OPTIONS ISSUED DURING CURRENT FINANCIAL YEAR	26,574	27,636
EXPENSE FOR OPTIONS ISSUED IN PREVIOUS FINANCIAL YEARS	109,701	143,853
	125,968	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. This portion has now vested. 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. This portion remains unvested at 30 June 2013.

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 17 executives/staff eligible for this scheme.

(C) SUMMARIES OF OPTIONS GRANTED UNDER ESOP

	2013 NO.	2013 WAEP	2012 NO.	2012 WAEP
OUTSTANDING AT THE BEGINNING OF THE YEAR	10,872,979	\$0.21	11,016,470	\$0.19
GRANTED DURING THE YEAR	775,000	\$0.25	2,520,000	\$0.26
FORFEITED DURING THE YEAR	(150,000)	\$0.24	(1,823,362)	\$0.23
EXERCISED DURING THE YEAR	(936,667)	\$0.19	(764,489)	\$0.10
EXPIRED DURING THE YEAR	(42,022)	\$0.36	(75,640)	\$0.36
OUTSTANDING AT THE END OF THE YEAR	10,519,290	\$0.21	10,872,979	\$0.21

27 SHARE-BASED PAYMENTS (CONTINUED)

(C) SUMMARIES OF OPTIONS GRANTED UNDER ESOP (CONTINUED)

The outstanding balance as at 30 June 2013 is represented by

NUMBER OF OPTIONS	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE
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
600,000	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
25,000	26-MAY-06	26-MAY-09	26-MAY-16	\$0.2800
125,000	17-MAY-07	17-MAY-10	17-MAY-17	\$0.2100
250,000	8-AUG-07	8-AUG-10	8-AUG-17	\$0.1700
250,000	25-OCT-07	25-OCT-10	25-OCT-17	\$0.1700
629,583	1-JUL-08	05-AUG-11	05-AUG-18	\$0.1027
500,000	6-OCT-08	23-OCT-11	23-OCT-18	\$0.1500
605,000	24-OCT-08	24-OCT-11	23-OCT-18	\$0.1027
650,000	30-APR-09	30-APR-12	30-APR-19	\$0.2000
450,000	29-JUN-09	26-JUN-12	26-JUN-14	\$0.2400
400,000	30-OCT-09	30-OCT-12	30-OCT-14	\$0.2400
50,000	9-MAR-10	09-MAR-13	09-MAR-15	\$0.3000
383,333	26-OCT-10	26-OCT-13	26-OCT-15	\$0.2500
275,000	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
580,000	28-NOV-11	28-NOV-14	28-NOV-16	\$0.2200
540,000	23-MAY-12	23-MAY-15	23-MAY-17	\$0.3300
750,000	13-JUL-12	13-JUL-15	13-JUL-17	\$0.2500
25,000	7-JAN-13	7-JAN-16	7-JAN-18	\$0.4000
10,519,290				

(D) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life for the share options outstanding at 30 June 2013 is 3 years (2012: 4 years).

(E) RANGE OF EXERCISE PRICE

The range of exercise prices for options outstanding at the end of the year was \$0.10-\$0.40 (2012: \$0.10-\$0.38).

(F) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of options granted during the year was \$0.2548 (2012: \$0.1255).

27 SHARE-BASED PAYMENTS (CONTINUED)

(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 2013 and 30 June 2012:

	2013	
	13-JUL-12	7-JAN-13
DIVIDEND YIELD (%)	0	0
EXPECTED VOLATILITY (%)	44.00	44.00
RISK-FREE INTEREST RATE (%)	2.35%	2.97%
EXPECTED LIFE OF OPTION (YEARS)	3.5	3
OPTION EXERCISE PRICE (\$)	0.25	0.40
MARKET SHARE PRICE AT GRANT DATE (\$)	0.25	0.35

	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

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:	2013 \$	2012 \$
WITHIN ONE YEAR	372,046	313,772
LATER THAN ONE YEAR BUT NOT LATER THAN FIVE YEARS	661,773	870,625
LATER THAN FIVE YEARS	-	56,295
	1,033,819	1,240,692

(B) GUARANTEES

Cogstate Limited has a bank guarantee in place for \$88,784 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 2013 (2012: 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 of \$5,588 were charged directly to equity as negative contributed equity.

29 BUSINESS COMBINATION (CONTINUED)

(A) SUMMARY OF ACQUISITION (CONTINUED)

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 on the foreign exchange rate on the date of acquisition, 22 August 2011.

(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 in the prior year. 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.

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
	2013 \$	2012 \$
AUDIT AND OTHER ASSURANCE SERVICES		
AUDIT AND REVIEW OF FINANCIAL STATEMENTS	49,888	40,305
TOTAL REMUNERATION FOR AUDIT AND OTHER ASSURANCE SERVICES	49,888	40,305
TAXATION SERVICES		
TAX COMPLIANCE SERVICES	60,060	21,766
TOTAL REMUNERATION FOR TAXATION SERVICES	60,060	21,766
TOTAL REMUNERATION OF PITCHER PARTNERS	109,948	62,071

(B) NETWORK FIRMS OF PITCHER PARTNERS

		CONSOLIDATED
	2013 \$	2012 \$
OTHER SERVICES		
TAXATION SERVICES	24,447	10,526
TOTAL REMUNERATION FOR OTHER SERVICES	24,447	10,526
TOTAL REMUNERATION OF NETWORK FIRMS OF PITCHER PARTNERS	24,447	10,526

(C) NON-PITCHER PARTNERS RELATED AUDIT FIRMS

		CONSOLIDATED
	2013 \$	2012 \$
AUDIT AND OTHER ASSURANCE SERVICES		
AUDIT AND REVIEW OF FINANCIAL STATEMENTS	-	34,518
TOTAL AUDITORS' REMUNERATION	134,395	107,115

DIRECTORS' DECLARATION

IN THE DIRECTORS' OPINION:

- (a) the financial statements and notes set out on pages 51 to 96 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 2013 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 declaration by the chief executive officer required by section 295A of the Corporations Act 2001.

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



Martyn Myer AO
Director

Melbourne
21 August 2013

INDEPENDENT AUDITOR'S 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 2013, 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 2013 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 38 to 44 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read "K L Byrne".

K L BYRNE
Partner

21 August 2013

A handwritten signature in black ink, appearing to read "Pitcher Partners".

PITCHER PARTNERS
Melbourne

SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 12 AUGUST 2013.

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 - 1,000	76	-
1,001 - 5,000	117	-
5,001 - 10,000	86	4
10,001 - 100,000	178	13
100,001 AND OVER	62	18
	519	35

There were 84 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
NATIONAL NOMINEES LIMITED	15,714,044	20.28
QUIXOTE INVESTMENT LLC	12,961,831	16.73
ASIA UNION INVESTMENTS PTY LTD	7,472,928	9.64
CITICORP NOMINEES PTY LIMITED	3,368,000	4.35
BETA GAMMA PTY LTD	3,000,000	3.87
DR PETER ANTHONY BICK & MS MELANIE JO GRIBBLE	2,700,000	3.48
MR BRADLEY JOHN O'CONNOR	2,697,125	3.48
DALEFORD WAY PTY LTD	1,741,311	2.25
RAVENSCOURT	1,478,822	1.91
ALEXANDER 2006 LLC	1,409,138	1.82
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,286,549	1.66
MUTUAL TRUST PTY LTD	1,004,272	1.30
HOWITT NOMINEES PTY LTD	1,000,000	1.29
MR DAVID ALEXANDER SIMPSON & MRS DAWN GENTRY SIMPSON	999,205	1.29
MR ALISTAIR DAVID STRONG	690,000	0.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	674,159	0.87
UOB KAY HIAN PRIVATE LIMITED	671,843	0.87
JP MORGAN NOMINEES AUSTRALIA LIMITED	626,471	0.81
GUST CONSULTING PTY LTD	600,000	0.77
MRS ERICA MARGARET STRONG	575,000	0.74
	60,670,698	78.30

UNQUOTED EQUITY SECURITIES

	NUMBER ON ISSUE	NUMBER OF HOLDERS
OPTIONS TO ACQUIRE ORDINARY SHARES *	1,792,563	7
OPTIONS TO ACQUIRE ORDINARY SHARES, ISSUED UNDER THE DIRECTORS' AND EMPLOYEES SHARE OPTION PLAN	11,622,979	28

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

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	NUMBER HELD	PERCENTAGE
NATIONAL NOMINEES LIMITED	15,714,044	20.28%
QUIXOTE INVESTMENTS	12,961,831	16.73%
ASIA UNION INVESTMENTS PTY LTD	7,472,928	9.64%
	36,148,803	46.65%

D. VOTING RIGHTS

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

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



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