COGSTATE LIMITED
ABN 80 090 975 723

ANNUAL REPORT 30 JUNE 2014

Lodged with the ASX under Listing Rule 4.3A.

This information should be read in conjunction with the Annual report

CONTENTS

COGSTATE LIMITED

APPENDIX 4E

PRELIMINARY FINAL REPORT

YEAR ENDED 30 JUNE 2014

Name of entity
Cogstate Limited ABN 80 090 975 723

Year ended 30 June 2014
(Previous corresponding year: 30 June 2013)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

REVENUE FROM ORDINARY ACTIVITIES
$12,444,351
DOWN 1.2%

EARNINGS BEFORE INTEREST, TAXATION AND AMORTISATION (EBITA)
($4,405,392)
DOWN 196.0%

EBITA BEFORE ONE-OFF ITEMS
($4,405,392)
DOWN 196.0%

NET LOSS AFTER TAX (FROM ORDINARY ACTIVITIES) FOR THE PERIOD ATTRIBUTABLE TO MEMBERS
($3,888,395)
DOWN 99.0%

DIVIDEND INFORMATION

No dividend was paid during the year and the Directors do not recommend a dividend be paid in respect of the year ended 30 June 2014.

	30 JUNE 2014	30 JUNE 2013
Net tangible asset backing (per share)	0.11	0.08
Earnings per share	(0.04)	(0.03)

MANAGEMENT DISCUSSION AND ANALYSIS

The directors report the results of Cogstate Limited (CGS) for the year ended 30 June 2014.

OPERATING RESULTS FOR THE YEAR

A summary of revenue and results is set out below:

	FIRST HALF JUL - DEC 2013 $	SECOND HALF JAN - JUN 2014 $	FINANCIAL YEAR 2014 $	FINANCIAL YEAR 2013 $
Recognised sales revenue	5,380,255	6,885,177	12,265,432	12,462,756
Revenue from principal activities	**5,380,255**	**6,885,177**	**12,265,432**	**12,462,756**
Cost of sales	(3,572,357)	(3,554,517)	(7,126,874)	(5,493,956)
Gross Profit from principal activities	**1,807,898**	**3,330,660**	**5,138,558**	**6,968,800**
EXPENSES RELATING TO PRINCIPAL ACTIVITIES				
Employee benefits expense	(2,073,786)	(2,092,073)	(4,165,859)	(4,774,460)
General Administration	(1,255,224)	(1,593,292)	(2,848,516)	(1,643,598)
Travel expenses	(509,575)	(423,945)	(933,520)	(928,196)
Other	(1,070,888)	(883,348)	(1,954,236)	(1,700,778)
Total expenses of principal activities	**(4,909,473)**	**(4,992,658)**	**(9,902,131)**	**(9,047,032)**
Net loss from principal activities	**(3,101,575)**	**(1,661,998)**	**(4,763,573)**	**(2,078,232)**
OTHER REVENUE/(EXPENSES)				
Finance income	55,466	123,453	178,919	137,774
Net foreign exchange gain/(loss)	96,126	(374,054)	(277,928)	543,994
Other	(17,583)	11,477	(6,106)	(52,027)
Other income	-	306,725	306,725	-
Fair value gain/(loss) on derivative	91,529	-	91,529	(154,372)
Finance expenses	(35,232)	(39,519)	(74,751)	(56,976)
Total other revenue/(expenses)	**190,306**	**28,082**	**218,388**	**418,393**
Operating loss from operations, before income tax	**(2,911,269)**	**(1,633,916)**	**(4,545,185)**	**(1,659,839)**
Income tax credit/(expense) attributable to operating result	**231,603**	**425,187**	**656,790**	**(297,394)**
Loss from operations, after income tax	**(2,679,666)**	**(1,208,729)**	**(3,888,395)**	**(1,957,233)**

OTHER INFORMATION REQUIRED BY LISTING RULE 4.3A

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

NET PROFIT FROM PRINCIPAL ACTIVITIES – SUMMARY

For the 2014 financial year, the Group recorded a decrease in revenue from all operating segments and a net loss after tax of $3.89m (2013: loss after tax of $1.96m)

RESULTS – REVENUE

REVENUE BREAKDOWN - A$

	GROWTH	30 JUNE 2014	30 JUNE 2013
Clinical Trials Segment	(1.17%)	11,631,614	11,769,058
Precision Recruitment Segment	100%	85,238	-
Sports Segment	(29.46%)	462,913	656,258
Healthcare Segment	640.33%	28,658	3,871
Research Segment	69.83%	57,009	33,569
Revenue from Customers	(1.58%)	12,265,432	12,462,756
Interest Received	29.86%	178,919	137,774
Total Revenue	(1.24%)	12,444,351	12,600,530

Measured in Australian dollars, Cogstate recorded a 1.58% decrease in revenue from customers compared to the previous financial year. The decrease in Clinical Trials revenue reflects a small decline in the number of new contracts signed and the completion of a number of existing contracts. The launch of the Precision Recruitment Tool in May 2014 for selection of patients for Clinical Drug trials has resulted in revenues received for the first time during the 2014 financial year.

Since the launch in 2013, several hundred physicians have registered on the COGNIGRAM™ system and the revenue in the Healthcare Segment has increased from 2013.

Revenue from clinical trials contracts is recognised over the life of the contract, typically anywhere between 9 and 48 months.

	30 JUNE 2014	30 JUNE 2013
Clinical Trial Revenue contracted at 1 July	8,611,133	7,838,169
Contracts signed during the period *	11,459,324	12,658,546
Revenue recognised **	(10,779,519)	(11,802,627)
Foreign exchange fluctuation ***	444,216	(82,955)
Clinical Trials Revenue contracted at 30 June	9,735,154	8,611,133

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

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

*** - Prevailing exchange rates - 1/7/2012 A$1 - US$1.02; and 30/06/2013 A$1 = US$0.91, 1/7/2013 A$1 - US$0.92 and 30/6/2014 A$1 - US$0.94.

Of the $9,735,154 clinical trials contracted revenue at 30 June, $5.62m is expected to be recognised by 30 June 2015, $2.87m is expected to be recognised in the 2016 financial year, $0.76m in the 2017 financial year, $0.43m in the 2018 financial year, $0.03m in the 2019 financial year and $0.03m in the 2020 financial year.

As at 19 August 2014, clinical trials contracted revenue is as follows: $9.1m is expected to be recognised by 30 June 2015, $5.3m is expected to be recognised in the 2016 financial year, $2.9m in the 2017 financial year, $1.9m in the 2018 financial year, $0.5m in the 2019 financial year and $0.1m in the 2020 financial year.

RESULTS - EXPENSES

1. EMPLOYMENT EXPENSES

Full Time Equivalent (FTE) employees totalled 76.01 at 30 June 2014, broken down as follows:

BUSINESS UNIT	FTE AT 30 JUNE 2014	FTE AT 30 JUNE 2013
Clinical Trials	38	30.60
Axon Sports/Cogstate Sport	8	8.80
Primary Care Market	3	5.00
IT/Software Engineering	8.53	17.20
Research	5.4	6.20
Other Admin	13.08	13.80
Total	**76.01**	**81.60**

The company posted a Net Loss After Tax of $3.89 million. A number of cost saving initiatives were put into place during the year to offset the short term revenue decline in the Clinical Trials business. This included a reassessment of required staffing numbers and as a result 11 positions in the IT and Administration departments were made redundant.

The employment costs for staff directly involved in the generation of revenue, or providing the services necessary to earn that revenue, are allocated as a cost of sales expense. For all other staff (including IT, Quality Assurance, Legal, Finance and Admin), their employment costs are shown as Employee Benefits Expense.

It is also noted that employment costs for the second half of the financial year includes staff bonus costs which were accrued at 30 June 2014.

2. OTHER EXPENSES

In addition to costs incurred in servicing revenue form clinical trials, Cogstate incurred a number of non-recurring costs that relate to the redevelopment of the technology in all business segments to create operational efficiencies. Also, significant investment continues to be made in the Axon Sports business. The Company has recently made the decision to divest the sports training product from the Axon Sports business. Significant investments were also made in the Healthcare business unit and the Precision Recruitment business which have both launched within the last 15 months.

Refer to Note 4 for more detail of the costs incurred in each of the above mentioned business segments.

AUDIT

The financial report has been audited.

The audit has been completed.

The financial report contains an independent audit report that is not subject to a modified opinion, emphasis of matter or other matter paragraph.

CONTENTS

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 19 August 2014.

CORPORATE DIRECTORY

DIRECTORS

Martyn Myer AO, BE, MESc, MSM - Chairman
Brad O'Connor B Bus, CA
David Simpson BA (Honours) FAICD
Richard van den Broek CFA
Rodolfo Chapa LLB
David Dolby BSE, MBA

SECRETARY

Claire Newstead-Sinclair BBus, CA
Mark Edwards BAcc, CA

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 255 Bourke Street, Melbourne Vic 3000 Australia

SHARE AND DEBENTURE REGISTER

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

AUDITOR

Pitcher Partners
Level 19, 15 William Street, Melbourne Vic 3000

SOLICITORS

Clayton Utz
333 Collins Street, Melbourne Vic 3000

BANKERS

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

WEBSITE

www.cogstate.com

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 four 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, Dainippon Sumitomo, Targacept, Otsuka, and Servier.

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

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 college and professional programs. Cogstate has recently made the decision to divest the sport training business and expressions of interest are currently being sought.

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 over 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, 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. During the year, Cogstate amended its agreement with Merck Canada Inc which allowed Cogstate to assume the full rights of promotion of COGNIGRAM™ in Canada. The updated agreement terms will give Cogstate new business opportunities with allied health care professionals already offering services in medical clinics; delivering COGNIGRAM™ testing directly onsite; licencing COGNIGRAM™ to hospitals and other institutions; offering COGNIGRAM™ to professional “brain worker” associations and introducing COGNIGRAM™ to the wellness industry

Precision Recruitment: In the clinical drug trial market, Cogstate technology is used as a tool for streamlining patient recruitment for drug trials.

PRIVATE PLACEMENT AND RIGHTS ISSUE

On 19 November 2013, the company issued 9,364,865 shares at an issue price of $0.37 via private placement to Dagmar Dolby and Douglas Rosenberg.

On 19 November 2013, the company invited its shareholders to subscribe to a fully underwritten rights issue of 10,777,056 ordinary shares at an issue price of $0.37 per share on the basis of 1 share for every 8 ordinary shares held, with these shares issued on 23 December 2013.

GROUP OVERVIEW

The Cogstate Group comprises Cogstate Ltd and six 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 Spain SL:** incorporated in 2013 and wholly owned by Cogstate Ltd as an operational office for the Clinical Trials business in Europe.

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; and 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 2014 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 AO
- Brad O'Connor
- David Simpson
- Richard van den Broek
- Rodolfo Chapa

David Dolby was appointed as a director on 23 November 2013 and continues in office at the date of this report.

INFORMATION ON DIRECTORS

MARTYN MYER AO

BE, MESc, MSM
CHAIR - NON-EXECUTIVE CHAIRMAN

Mr Myer is Chairman of Cogstate Limited. Mr Myer also chairs the Remuneration and Nomination Committee and the Audit and Compliance Committee. Until 30 June 2007 he was President of the Howard Florey Institute of Experimental Physiology and Medicine and was a director of the Florey Neuroscience Institutes until May 2010. At the Howard Florey Institute he participated in the transition of the Institute's research focus towards diagnostic and therapeutic neuroscience, including a focus on degenerative brain diseases. Mr Myer was appointed to the Council of the University of Melbourne in February 2010. Mr Myer obtained his Master of Science in Management at MIT in Boston, and his Master of Engineering Science at Monash University, Melbourne.

During the last three years, Mr Myer has also served as a director of the following listed companies:

- Diversified United Investment Ltd - Appointed: 23 September 1991 Retired 16 November 2011

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

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, Mr O'Connor joined Cogstate as Chief Financial Officer and Company Secretary in May 2004. Prior to that, Mr O'Connor held senior positions at Spherion Group, Australian Wine Exchange and PricewaterhouseCoopers. Mr O'Connor 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, Axon Sports LLC and Cogstate Spain SL.

DAVID SIMPSON

BA (Honours) FAICD
NON-EXECUTIVE DIRECTOR

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

Mr Simpson is also a director of Cogstate Inc., Cogstate Sport Inc and Axon Sports LLC.

RICHARD VAN DEN BROEK

CFA
NON-EXECUTIVE DIRECTOR

Mr van den Broek is an independent non-executive Director. 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 Retired 19 September 2013

RODOLFO CHAPA

LLB
NON-EXECUTIVE DIRECTOR

Mr Chapa is a non-executive Director. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Mr Chapa is a 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.

DAVID DOLBY

BSE, MBA
NON-EXECUTIVE DIRECTOR

Mr Dolby is a non-executive Director appointed on 23 November 2013. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee.

David holds a BSE in Civil Engineering from Duke University, and an MBA from the Stanford Graduate School of Business. David is managing director at Dolby Family Ventures LP, and represents the Dolby Family Trust on a number of technology, scientific research, and consumer products investments focusing on innovation and commercialising intellectual property. David has been a member of the Board of Directors and a member of the Technology Strategy Committee of Dolby Laboratories since 2011, and previously served as Manager, Strategic Partnerships. In this role, David was responsible for managing strategic partnerships and technology standards. David serves as chair of the Audit Committee for the Ray and Dagma Dolby Family Fund, focusing on philanthropic grants as well as mission driven impact investments in medical research and advocacy. David's experience also includes roles at Kaleidescape, Inc, a company focussed on high-performance music and movie server systems, and NetVMG, which developed route control software. Previously, David was an investment banking analyst focussed on technology with Perseus Group (now GCA Savvian).

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.

The company secretary appointed during Ms Newstead-Sinclair's maternity leave was Mark Edwards BAcc, CA. Mr Edwards previously worked in the Assurance and Advisory 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. Mr Edwards employment at Cogstate finished on Ms Newstead-Sinclair's return from maternity leave on 11 April 2014.

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	17,493,214	495,000
Mr Brad O'Connor	3,156,683	2,920,000
Mr David Simpson	1,174,106	83,333
Mr Richard van den Broek	3,735,000	200,000
Mr Rodolfo Chapa	12,961,831	150,000
Mr David Dolby	13,606,389	4,379,241

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 four market segments; clinical trials, sports, general practice medicine and precision recruitment.

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. The Company has recently made the decision to divest the sports training product and expressions of interest are currently being sought.

In general practice medicine, Cogstate technology is used by primary care physicians to monitor for cognitive decline over time.

In precision recruitment, Cogstate has developed a web-based tool for streamlining patient recruitment for drug trials, based on at-home assessment of cognitive function and other inclusion criteria.

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

OPERATING RESULTS FOR THE YEAR

Cogstate produced a consistent revenue result in 2013-14. The slight decrease in revenue from last year reflects a small decline in the number of new contracts signed and the completion of a number of pre-existing contracts.

Total recognised revenue was $12.26 million for the year ended to 30 June 2014, a decrease of 1.6% over the previous year's result. The company posted a Net Loss After Tax of $3.89 million. This was in line with guidance provided and reflects the expenditure over the past year in Healthcare and Axon Sports, as well as the launch of the Precision Recruitment Tool and the redevelopment of the Clinicial Trials product. A number of cost saving initiatives were put into place during the year to offset the short term revenue decline in the Clinical Trials business. In the 2015 financial year, the full effect of these savings as well as a refocus on the sales process should see the margins in the Clinical Trials business increase back to previous levels.

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 (2013: $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 2014 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 four markets for its technology throughout the 2015 financial year:

1. Clinical Trials
2. Concussion Management
3. Primary care physicians
4. Precision recruitment

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 company's ability to service Clinical Trials conducted in the European region.

In Sport, Cogstate will seek to build on its excellent reputation in concussion management at elite levels by seeking commercial opportunities in community sport. Cogstate has made the decision to divest the skill training for athletes business and is currently seeking expressions of interest for this business.

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.

In precision recruitment, Cogstate will focus on the launch of a web-based tool for streamlining patient recruitment for drug trials.

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 2014, and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES			
			AUDIT & COMPLIANCE		REMUNERATION & NOMINATION	
	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND
Martyn Myer AO	12	12	3	3	1	1
Brad O'Connor	12	12				
David Simpson	12	12	3	3	1	1
Richard van den Broek	12	12	3	3	1	1
Rodolfo Chapa	10	12	2	3	-	1
David Dolby	5	5	2	2	1	1

AUDIT & COMPLIANCE

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

REMUNERATION & NOMINATION

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

UNISSUED SHARES

As at the date of this report, there were 12,445,788 unissued ordinary shares under employee options, as well as a further 4,379,241 unissued shares under options granted for underwriting the rights issue. 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 2014 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 EXERCISED	ISSUE PRICE OF SHARES	NUMBER OF SHARES ISSUED
27/8/2013	$0.24	10,000
27/8/2013	$0.38	81,524
22/11/2013	$0.25	33,333
22/11/2013	$0.22	16,667
		141,524

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
	2014 $	2013 $
TAXATION SERVICES		
Pitcher Partners firm:		
Tax compliance services	**53,900**	60,060
Total remuneration for taxation services	**53,900**	60,060
OTHER SERVICES		
Pitcher Partners firm:		
Capital raising related services	**22,810**	-
Related practices of Pitcher Partners	**51,525**	24,447
Total remuneration for other services	**74,335**	24,447
Total remuneration for non-audit services	**128,235**	84,507

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 16.

PITCHER PARTNERS

COGSTATE LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF COGSTATE LIMITED

In relation to the independent audit for the year ended 30 June 2014, 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

19 August 2014

PITCHER PARTNERS
Melbourne

REMUNERATION REPORT

The directors are pleased to present your company's 2014 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 three 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 10-11	
Other key management personnel	
Prof Paul Maruff	Chief Scientific Officer
Sophie Egholm	President Clinical Trials
Jason Sada	President Axon Sports

REMUNERATION PHILOSOPHY

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

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

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

ROLE OF THE REMUNERATION COMMITTEE

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

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

REMUNERATION STRUCTURE

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

NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

OBJECTIVE

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

STRUCTURE

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2014 is detailed later in this report.

EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

OBJECTIVE

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

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

STRUCTURE

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

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

BASE PAY AND BENEFITS

OBJECTIVE

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

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

STRUCTURE

Executives receive their fixed remuneration as a salary payment.

SHORT-TERM INCENTIVES (STI)

OBJECTIVE

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

STRUCTURE

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as sales growth, process improvement, product development and leadership/ team contribution. For the 2014 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 vested during the financial year ended 30 June 2014 and 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.

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

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

EMPLOYMENT CONTRACTS

CHIEF EXECUTIVE OFFICER

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

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

OTHER EXECUTIVES (STANDARD CONTRACTS)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive 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.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING

Cogstate Limited received more than 96% of "yes" votes on its remuneration report for the 2013 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

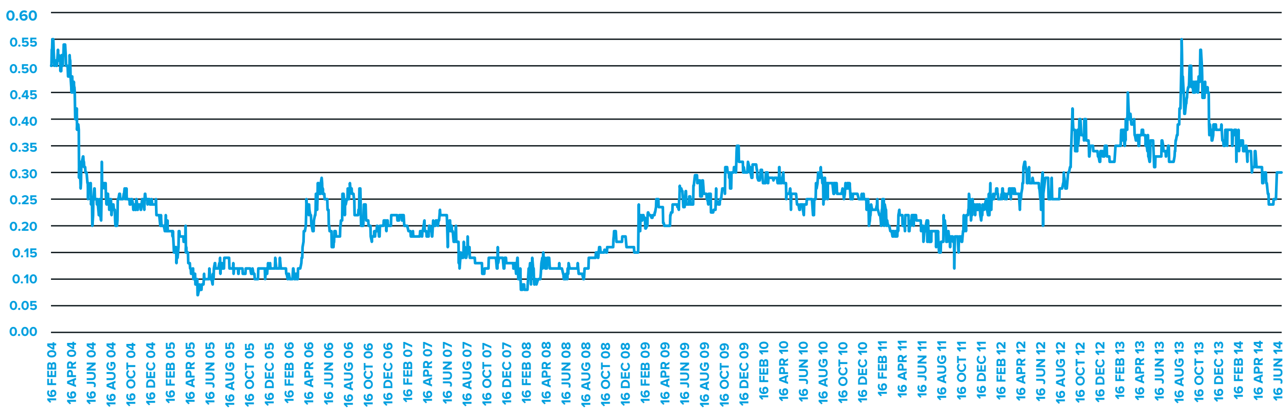
RELATIONSHIP BETWEEN REMUNERATION AND COGSTATE LIMITED'S PERFORMANCE

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

CONSOLIDATED	2014	2013	2012	2011	2010
Profit/(loss) for the year attributable to owners of Cogstate Limited ($'000)	**(3,888.0)**	(1,957.0)	2,452.0	(846.0)	1,638.0
Basic earnings per share (cents)	**(4.3)**	(2.6)	3.3	(1.3)	2.5
Dividends payments ($'000)	**-**	-	-	-	-
Dividend ratio (%)	**-**	-	-	-	-
Increase/(decrease) in share price (%)	**(6.0)**	+6.0	+11.0	(6.0)	+1.0
Total KMP incentives as percentage of profit/(loss) for the year (%)	**(3.0)**	(22.0)	29.0	(17.0)	11.0

The above table 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

2014	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE-BASED PAYMENTS	
NAME	CASH SALARY & FEES* $	CASH BONUS** $	NON-MONETARY BENEFITS $	SUPERANNUATION $	LONG SERVICE LEAVE $	TERMINATION BENEFITS $	OPTIONS $	TOTAL $
NON-EXECUTIVE DIRECTORS								
M Myer	77,803	-	-	7,197	-	-	8,040	93,040
D Simpson	13,844	-	1,156	35,000	-	-	5,451	55,451
R van den Broek	50,000	-	-	-	-	-	6,252	56,252
R Chapa	-	-	-	-	-	-	6,437	6,437
D Dolby	29,167	-	-	-	-	-	-	29,167
Sub-total non-executive directors	**170,814**	**-**	**1,156**	**42,197**	**-**	**-**	**26,180**	**240,347**
EXECUTIVE DIRECTORS								
B O'Connor	301,291	65,000	5,934	17,775	13,277	-	25,653	428,930
OTHER KEY MANAGEMENT PERSONNEL (GROUP)								
P Maruff	302,421	44,625	29,804	17,775	8,428	-	38,152	441,205
S Egholm	250,434	10,541	-	7,513	-	-	9,679	278,167
J Sada	244,990	-	-	6,499	-	-	34,209	285,698
Total key management personnel compensation (group)	**1,269,950**	**120,166**	**36,894**	**91,759**	**21,705**	**-**	**133,873**	**1,674,347**

* Rudy Chapa is reimbursed for his Cogstate related travel expenses in lieu of receiving the applicable director fee.

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

2013	SHORT-TERM EMPLOYEE BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE-BASED PAYMENTS	
NAME	CASH SALARY & FEES* $	CASH BONUS** $	NON-MONETARY BENEFITS $	SUPERANNUATION $	LONG SERVICE LEAVE $	TERMINATION 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
J Sada	209,938	58,853	-	-	-	-	24,854	293,645
Total key management personnel compensation (group)	**1,107,655**	**433,017**	**32,263**	**75,580**	**25,188**	**-**	**85,630**	**1,759,333**

* Rudy Chapa is reimbursed for his Cogstate related travel expenses in lieu of receiving the applicable director fee.

** 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 *	
	2014 %	2013 %	2014 %	2013 %
NON-EXECUTIVE DIRECTORS OF COGSTATE LIMITED				
D Simpson	**-**	-	**10**	8
M Myer	**-**	-	**9**	9
R van den Broek	**-**	-	**11**	12
R Chapa	**-**	-	**100**	100
EXECUTIVE DIRECTORS OF COGSTATE LIMITED				
B O'Connor**	**15**	36	**6**	3
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
P Maruff***	**10**	23	**9**	4
S Egholm****	**4**	29	**4**	2
J Sada*****	**-**	20	**-**	8

* 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.

** 78% of cash bonus was forfeited due to performance conditions not being met.

*** 83% of cash bonus was forfeited due to performance conditions not being met.

**** 94% of cash bonus was forfeited due to performance conditions not being met.

***** 100% of cash bonus was forfeited due to performance conditions not being met.

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.

Options granted to key management personnel during the year are detailed in the below table:

	VESTED NUMBER	GRANTED NUMBER	GRANT DATE	FAIR VALUE PER OPTION GRANT DATE	EXERCISE PRICE PER SHARE $	FINAL VESTING DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	VALUE OF OPTIONS GRANTED DURING THE YEAR $	VALUE OF OPTIONS EXER-CISED DURING THE YEAR $	VALUE OF OPTIONS LAPSED DURING THE YEAR $
KEY MANAGEMENT PERSONNEL											
Martyn Myer	-	50,000	31-Oct-13	$0.22	$0.49	31-Oct-16	31-Oct-15	31-Oct-18	2,863	44,838	
Brad O'Connor	-	250,000	31-Oct-13	$0.22	$0.49	31-Oct-16	31-Oct-15	31-Oct-18	14,313		
David Simpson	-	50,000	31-Oct-13	$0.22	$0.49	31-Oct-16	31-Oct-15	31-Oct-18	2,863		
Richard van den Broek	-	50,000	31-Oct-13	$0.22	$0.49	31-Oct-16	31-Oct-15	31-Oct-18	2,863		
Rudy Chapa	-	50,000	31-Oct-13	$0.22	$0.49	31-Oct-16	31-Oct-15	31-Oct-18	2,863		
Paul Maruff	-	600,000	29-Jul-13	$0.12	$0.36	29-Jul-16	29-Jul-15	29-Jul-18	26,785		126,152
Sophie Egholm	-	100,000	29-Jul-13	$0.12	$0.36	29-Jul-16	29-Jul-15	29-Jul-18	4,458		

(A) 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 2014 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	983,749	50,000	(538,749)	-	495,000	345,000	150,000
D Simpson	83,333	50,000	(50,000)	-	83,333	-	83,333
R van den Broek	150,000	50,000	-	-	200,000	100,000	100,000
R Chapa	100,000	50,000	-	-	150,000	-	150,000
B O'Connor	3,040,010	250,000	(73,492)	(296,518)	2,920,000	2,420,000	500,000
D Dolby *	-	-	-	4,379,241	4,379,241	4,379,241	-
Total	4,357,092	450,000	(662,241)	4,082,723	8,227,574	7,244,241	983,333
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP							
P Maruff	2,474,850	600,000	-	(331,978)	2,742,872	1,892,872	850,000
S Egholm	825,000	100,000	-	-	925,000	725,000	200,000
J Sada	750,000	-	-	-	750,000	-	750,000
Total	4,049,850	700,000	-	(331,978)	4,417,872	2,617,872	1,800,000

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

* sub-underwriting fee of 4,379,241 options were given to David Dolby for acting as the sub-underwriter of the rights issue during the financial year. The options will have an exercise price of $0.39 with an exercise period of one year and can be exercised at any time during that year.

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
	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
J Sada	-	750,000	-	-	750,000	-	750,000
	3,341,872	750,000	-	(42,022)	4,049,850	2,724,850	1,325,000

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

(II) SHARE HOLDINGS

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

CONSOLIDATED 2014 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	14,741,815	1,299,523	1,943,691	17,493,214
D Simpson	999,205	381,667	124,901	1,174,106
R van den Broek	3,320,000	-	415,000	3,735,000
R Chapa	12,961,831	-	-	12,961,831
B O'Connor	3,040,294	73,492	42,897	3,156,683
D Dolby	-	-	13,606,389	13,606,389

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

DIRECTOR-RELATED ENTITY TRANSACTIONS

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

During the year, Cogstate Ltd paid NZD$13,566 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.

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

Martyn Myer AO
Director

Melbourne
19 August 2014

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 2014.

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.

David Dolby (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 six 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	14 years 8 months
B O'Connor	8 years 9 months
D Simpson	10 years
R van den Broek	4 years
R Chapa	3 years
D Dolby	7 months

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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 without 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.

PERFORMANCE

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

During the reporting period:

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

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

TRADING POLICY

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

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

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

DIVERSITY POLICY

The Company is committed to gender diversity in our workforce. Given the Company's 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 2014, 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
- D Dolby

Two of the five 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 has 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.

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

- M Myer
- D Simpson
- R van den Broek
- R Chapa
- D Dolby

Two of the five 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 reports 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
FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED 2014 $	2013 $
OPERATIONS			
Revenue	5	12,265,432	12,462,756
Finance income	5	178,919	137,774
Total Revenue	5	12,444,351	12,600,530
Cost of sales		(7,126,874)	(5,493,956)
Gross Profit		**5,317,477**	**7,106,574**
Fair value gain/(loss) on derivative	6	91,529	(154,372)
Other income	6	306,725	-
Employee benefits expense	7	(4,165,859)	(4,774,460)
Depreciation and amortisation	7	(395,889)	(396,697)
Occupancy		(610,800)	(591,497)
Marketing		(466,782)	(360,678)
Professional fees		(480,765)	(351,906)
General Administration		(2,848,516)	(1,643,598)
Net foreign exchange gain/(loss)		(277,928)	543,994
Travel expenses		(933,520)	(928,196)
Finance expenses	7	(74,751)	(56,976)
Other		(6,106)	(52,027)
Profit/(loss) before income tax		**(4,545,185)**	**(1,659,839)**
Income tax (expense)/benefit	8	656,790	(297,394)
Profit/(loss) from continuing operations		**(3,888,395)**	**(1,957,233)**
Profit/(loss) for the year		**(3,888,395)**	**(1,957,233)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit and loss Exchange differences on translation of foreign operations	22(a)	40,486	(167,068)
Total comprehensive income for the year		**(3,847,909)**	**(2,124,301)**
Profit/(loss) is attributable to:			
Owners of Cogstate Limited		(3,888,395)	(1,957,233)
Total comprehensive income for the year is attributable to:			
Owners of Cogstate Limited		(3,847,909)	(2,124,301)
Total comprehensive income for the year attributable to owners of Cogstate Limited arises from:			
Continuing operations		(2,835,437)	(1,279,561)
Discontinued operations	12	(1,012,472)	(844,740)
		(3,847,909)	(2,124,301)

		CENTS	CENTS
EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share	11	(3.0)	(1.0)
Diluted earnings per share	11	(3.0)	(1.0)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share	11	(4.3)	(2.6)
Diluted earnings per share	11	(4.3)	(2.6)

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2014

	NOTES	CONSOLIDATED 2014 $	2013 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	7,126,749	3,392,617
Trade and other receivables	14	2,766,784	2,990,552
Other current assets	16	433,439	686,108
Total current assets		**10,326,972**	**7,069,277**
NON-CURRENT ASSETS			
Property, plant and equipment	17	1,318,224	925,033
Deferred tax assets	9	1,327,624	637,775
Intangible assets	18	2,140,193	2,422,142
Total non-current assets		**4,786,041**	**3,984,950**
Total assets		**15,113,013**	**11,054,227**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	1,120,859	1,172,899
Derivative financial instruments	15	-	91,529
Provisions	20	911,959	820,515
Total current liabilities		**2,032,818**	**2,084,943**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	10	58,116	155,550
Provisions	20	6,820	4,417
Total non-current liabilities		**64,936**	**159,967**
Total liabilities		**2,097,754**	**2,244,910**
Net assets		**13,015,259**	**8,809,317**
EQUITY			
Contributed equity	21	23,771,855	16,262,304
Other reserves	22(a)	1,776,355	1,293,539
Retained earnings	22(b)	(12,532,951)	(8,746,526)
Capital and reserves attributable to owners of Cogstate Limited		13,015,259	8,809,317
Total equity		**13,015,259**	**8,809,317**

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 2014

		ATTRIBUTABLE TO OWNERS OF COGSTATE LIMITED				
CONSOLIDATED		CONTRIBUTED EQUITY $	SHARE BASED PAYMENTS $	FOREIGN CURRENCY TRANSLATION $	RETAINED EARNINGS $	TOTAL EQUITY $
Balance at 1 July 2012		15,676,970	1,339,275	(4,638)	(6,789,293)	10,222,314
Profit for the year as reported in the 2013 financial statements		-	-	-	(1,957,233)	(1,957,233)
Other comprehensive income		-	-	(167,068)	-	(167,068)
Total comprehensive income for the year		**-**	**-**	**(167,068)**	**(1,957,233)**	**(2,124,301)**
TRANSFER BETWEEN SHARE BASED PAYMENTS RESERVE AND RETAINED EARNINGS						
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**
Balance at 1 July 2013		16,262,304	1,465,243	(171,704)	(8,746,526)	8,809,317
Loss for the year as reported in the 2014 financial statements		-	-	-	(3,888,395)	(3,888,395)
Other comprehensive income		-	-	40,486	-	40,486
Total comprehensive income for the year		**-**	**-**	**40,486**	**(3,888,395)**	**(3,847,909)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:						
Issue of Share Capital	21	7,452,511	313,772	-	-	7,766,283
Cost of issue of Share Capital	21	(161,171)	-	-	-	(161,171)
Issue of options for underwriting of rights issue		(313,772)	-	-	-	(313,772)
Transfer between share based payments reserve and retained earnings		-	(101,970)	-	101,970	-
Exercise of options		531,983	-	-	-	531,983
Cost of share-based payment		-	230,528	-	-	230,528
		7,509,551	442,330	-	101,970	8,053,851
Balance at 30 June 2014		**23,771,855**	**1,907,573**	**(131,218)**	**(12,532,951)**	**13,015,259**

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 2014

	NOTES	CONSOLIDATED 2014 $	 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		12,439,686	11,666,609
Payments to suppliers and employees		(16,556,431)	(13,294,201)
Research and Development tax rebate received		707,730	-
Net cash (outflow) from operating activities	**24**	**(3,409,015)**	**(1,627,592)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	17	(818,776)	(405,803)
Interest received		158,742	166,909
Net cash (outflow) from investing activities		**(660,034)**	**(238,894)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		7,984,495	585,334
Transaction costs of issue of shares		(230,243)	-
Interest payments		(36,776)	(29,316)
Net cash inflow from financing activities		**7,717,476**	**556,018**
Net increase (decrease) in cash and cash equivalents		**3,648,427**	**(1,310,468)**
Cash and cash equivalents at the beginning of the financial year		3,392,617	4,659,512
Effects of exchange rate changes on cash and cash equivalents		85,705	43,573
Cash and cash equivalents at end of year	**13**	**7,126,749**	**3,392,617**

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

CONTENTS OF THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2013 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 2013.

(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

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date the control ceases.

(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
- Foreign exchange gain/loss
- Profit/loss on disposal of assets
- Finance costs
- Depreciation and amortisation expense
- Other income
- 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 ($). The functional and presentation currency of Axon Sports Pty Ltd, Cogstate Inc, Cogstate Canada Inc and Cogstate Spain SL are Australian dollars ($).

(II) TRANSACTIONS AND BALANCES

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

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

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

(III) GROUP COMPANIES

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

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

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

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

(E) REVENUE RECOGNITION

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

Revenue is recognised for the major business activities as follows:

(I) SALE OF TESTS

Revenue is recognised when the significant risks and rewards of ownership of the test credits have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the test credits to the customer. At this point, no right to a refund exists.

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.

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) 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.

(I) 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.

(J) 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.

(K) 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.

(L) 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.

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives, which range from 3 to 5 years. Amortisation commences when the asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(M) 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.

(N) 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.

(O) 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.

(P) EMPLOYEE BENEFITS

(I) SHORT-TERM OBLIGATIONS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

(II) OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATIONS

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

(III) SHARE-BASED PAYMENTS

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

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

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

Information relating to these schemes is set out in Note 27.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, further details of which are given in Note 27.

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

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

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

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

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 11).

(Q) 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.

(R) 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.

(S) 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.

(T) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(i) AASB 10: Consolidated Financial Statements
The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated entity concluded that the adoption of AASB 10 did not change the consolidation status of its subsidiaries. Therefore, no adjustments to any of the carrying amounts were required.

(ii) AASB 11: Joint Arrangements
Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the rights and obligations of the parties to the arrangement, rather than the legal structure of joint arrangements.

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 is 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 consolidated entity concluded that the adoption of AASB 11 had no impact on the composition or performance of the consolidated entity. Therefore, no adjustments to any of the carrying amounts were required.

(iii) AASB 12: Disclosure of Interests in Other Entities
AASB 12 sets new minimum disclosure requirements for interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Disclosures required under AASB 12 are provided in Note 24: Interests in subsidiaries.

(iv) AASB 13: Fair Value Measurement
AASB 13 introduces a fair value framework for all fair value measurements as well as the enhanced disclosure requirements. Application of AASB 13 does not materially change the company's fair value measurements. However, the additional disclosures required under AASB 13 are provided in Note 2: Financial Risk Management.

(v) AASB 119: Employee Benefits
The amendments to AASB 119 revise the definitions of short term and long term employee benefits, placing the emphasis on when the benefit is expected to be settled rather than when it is due to be settled. The group has assessed its impact and concludes that the adoption of AASB 119 has no material effect on the amounts recognised in current or prior years.

No other new and amended accounting standards effective for the financial year beginning 1 July 2013 affected any amounts recorded in the current or prior year.

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, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosure and AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. 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. In the current reporting period, the group recognised $nil in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. 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.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 at 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. 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 47% 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 not entered into forward currency contracts during the current year. Further detail is provided in Note 15.

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 2014 AUD $	30 JUNE 2013 AUD $
Cash and cash equivalents	825,636	744,429
Trade receivables	2,497,085	2,404,942
Trade payables	(926,579)	(783,574)
Net exposure	2,396,142	2,365,797
Forward exchange contracts		
- buy foreign currency	-	(91,529)

Sensitivity

At 30 June 2014, 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 = $US0.9439, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT		EQUITY	
	HIGHER/(LOWER) 2014 $	HIGHER/(LOWER) 2013 $	HIGHER/(LOWER) 2014 $	HIGHER/(LOWER) 2013 $
AUD:USD + 10%	(217,041)	(123,555)	(217,041)	(123,555)
AUD:USD - 10%	267,204	354,381	267,204	354,381

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	
	2014 $	2013 $	2014	2013
Sell US$ maturity 3-15 months - consolidated	-	500,000	-	1.025
Sell US$ maturity 3-15 months - consolidated	-	500,000	-	1.025
	-	1,000,000	-	1.025

Sensitivity

In relation to the forward exchange contracts listed above, at 30 June 2014, 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 = $US0.9439, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT		EQUITY	
	HIGHER/(LOWER) 2014 $	HIGHER/(LOWER) 2013 $	HIGHER/(LOWER) 2014 $	HIGHER/(LOWER) 2013 $
AUD:USD + 10%	-	(19,891)	-	(19,891)
AUD:USD - 10%	-	(241,183)	-	(241,183)

(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 2014 $	30 JUNE 2013 $
Cash at bank and on hand	1,023,513	758,188
Short-term deposits	6,103,236	2,634,429
Net exposure to interest rate risk	7,126,749	3,392,617

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/(LOWER) 2014 $	HIGHER/(LOWER) 2013 $	HIGHER/(LOWER) 2013 $	HIGHER/(LOWER) 2013 $
Increase 1%	71,267	33,926	71,267	33,926
Decrease 0.5%	35,634	16,963	35,634	16,963

(B) CREDIT RISK

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

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

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

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

(C) LIQUIDITY RISK

The Group's exposure to liquidity risk is minimal. Cogstate Ltd's only significant financial liabilities are trade payables. All financial liabilities are able to be settled within six months.

(D) FAIR VALUE MEASUREMENTS

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013:

CONSOLIDATED - AT 30 JUNE 2014	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Total liabilities	-	-	-	-

CONSOLIDATED - AT 30 JUNE 2013	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Assets				
Total assets	-	-	-	-
Other derivative instruments at fair value through the profit and loss	-	91,529	-	91,529

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. No tax losses have been recognised as deferred tax assets from losses incurred in the United States, Canada and Spain.

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 1p, 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 2014 financial statements have been prepared on a going concern basis. The going concern assumption continues to apply to Cogstate as at 30 June 2014 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 four 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, assessment of cognitive decline by primary care physicians and precision recruitment of patients for clinical drug trials). 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.

The fourth operating segment is the precision recruitment market. In this market, the technology is used to recruit patients for clinical drug trials,

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.

(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 2014 and 30 June 2013.

CONSOLIDATED 2014	CLINICAL TRIALS $	PRECISION RECRUITMENT TOOL $	PRIMARY CARE PHYSICIAN MARKET $	SPORT $	UNALLOCATED $	TOTAL $
Sales to external customers	11,631,614	85,238	28,658	462,913	57,009	12,265,432
Revenue from external customers	**11,631,614**	**85,238**	**28,658**	**462,913**	**57,009**	**12,265,432**
Cost of Goods Sold	(5,517,308)	(23,685)	(394,128)	(695,885)	(495,868)	(7,126,874)
Total Segment Gross Profit	**6,114,306**	**61,553**	**(365,470)**	**(232,972)**	**(438,859)**	**5,138,558**
Interest revenue	-	-	-	-	178,919	178,919
Total gross profit per statement of comprehensive income						**5,317,477**
Operating profit	3,393,841	(271,250)	(593,871)	(1,313,811)	(5,497,943)	(4,283,034)
Depreciation and amortisation expenses	(36,891)	-	-	(43,991)	(315,007)	(395,889)
Foreign exchange gain/(loss) realised and unrealised	-	-	-	-	(277,928)	(277,928)
Profit/(loss) on disposal of assets	-	-	-	-	13,412	13,412
Fair value gain/(loss) on derivative	-	-	-	-	91,529	91,529
Other income	-	-	-	-	2,500	2,500
Research and Development Grant	-	-	-	-	304,225	304,225
Segment result	**3,356,950**	**(271,250)**	**(593,871)**	**(1,357,802)**	**(5,679,212)**	**(4,545,185)**
Profit/(loss) before tax per statement of comprehensive income	3,356,950	(271,250)	(593,871)	(1,357,802)	(5,679,212)	(4,545,185)

CONSOLIDATED 2013	CLINICAL TRIALS $	PRECISION RECRUIT-MENT TOOL $	PRIMARY CARE PHYSICIAN MARKET $	SPORT $	UNALLOCATED $	TOTAL $
Sales to external customers	11,802,627	-	3,871	656,258	-	12,462,756
Revenue from external customers	**11,802,627**	**-**	**3,871**	**656,258**	**-**	**12,462,756**
Cost of Goods Sold	(4,733,615)	-	(203,047)	(557,294)	-	(5,493,956)
Total Segment Gross Profit	**7,069,012**	**-**	**(199,176)**	**98,964**	**-**	**6,968,800**
Interest revenue	-	-	-	-	137,774	137,774
Total gross profit per statement of comprehensive income						**7,106,574**
Operating profit	6,510,418	-	(535,684)	(1,148,957)	(6,393,644)	(1,567,867)
Depreciation and amortisation expenses	(25,603)	-	-	(51,169)	(319,925)	(396,697)
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**	**-**	**(535,684)**	**(1,200,126)**	**(6,408,844)**	**(1,659,839)**
Profit/(loss) before tax per statement of comprehensive income	6,484,815	-	(535,684)	(1,200,126)	(6,408,844)	(1,659,839)

(C) SEGMENT REVENUE

Cogstate Ltd had 2 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:

- Novartis Pharma AG - $1.62m
- Takeda Pharmaceuticals - $1.25m

In 2013, 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

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.

5 REVENUE

	CONSOLIDATED	
	2014 $	2013 $
Sales revenue		
Sale of services and tests in clinical trials	11,631,614	11,769,058
Sale of services and tests in precision recruitment tool	85,238	-
Sale of services and tests in sport	462,913	656,258
Sale of services and tests in healthcare	28,658	3,871
Sale of services and tests in research	57,009	33,569
	12,265,432	12,462,756
Finance income	178,919	137,774
	12,444,351	12,600,530

6 OTHER INCOME

	CONSOLIDATED	
	2014 $	2013 $
Research and Development Grant	304,225	-
Other income	2,500	-
Fair value gain/(loss) on derivative	91,529	(154,372)
	398,254	(154,372)

7 EXPENSES

	2014 $	2013 $
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Employee benefits expenses		
Direct wages & salaries (part of cost of goods sold)	(5,542,172)	(4,022,383)
Indirect wages & salaries	(3,935,331)	(4,648,491)
Share based payments expense	(230,528)	(125,968)
Total employee benefits expenses	(9,708,031)	(8,796,842)

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)	(288,774)	(314,811)
Other indirect depreciation expense	(113,952)	(114,760)
Total depreciation	(402,726)	(429,571)
Amortisation		
Intellectual Property	(281,937)	(281,937)
Total depreciation and amortisation	(684,663)	(711,508)

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

Finance costs		
Interest and finance charges paid	(74,751)	(56,976)
Realised/unrealised foreign exchange gain/(loss)	(277,928)	543,994
Net loss on disposal of property, plant and equipment	13,412	(27,920)
Rental expense relating to operating leases		
Minimum lease payments	(588,575)	(572,390)
Outgoings	(22,225)	(19,106)
Total rental expense relating to operating leases	(610,800)	(591,496)

8 INCOME TAX EXPENSE

(A) INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED	
	2014 $	2013 $
Current tax	-	-
Deferred tax	(533,619)	294,631
Adjustments for current tax of prior periods	(123,171)	2,763
	(656,790)	297,394
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	(222,873)	659,425
Profit/(loss) from discontinued operations	(433,917)	(362,031)
Aggregate income tax expense	(656,790)	297,394

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

	CONSOLIDATED	
	2014 $	2013 $
Profit/(loss) from continuing operations before income tax expense	(3,098,796)	(453,068)
Profit/(loss) from discontinuing operations before income tax expense	(1,446,389)	(1,206,771)
	(4,545,185)	(1,659,839)
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	(1,363,556)	(497,952)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Intellectual Property impairment	84,581	84,581
Expenditure not deductible for income tax purposes (incl. R&D)	151,573	402,736
	(1,127,402)	(10,635)
Adjustments for current tax of prior periods	(123,171)	2,763
Tax losses (recognised)/unrecognised	593,783	305,266
Income tax expense/(benefit)	(656,790)	297,394

(C) TAX LOSSES

	CONSOLIDATED	
	2014 $	2013 $
Unused tax losses for which no deferred tax asset has been recognised (cumulative)	1,296,798	733,588
Potential tax benefit of foreign losses (current year)	567,302	248,257

The benefit will only be obtained if:

(a) The US, Canadian and Spanish companies derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(b) The US, Canadian and Spanish companies continue to comply with the conditions for deductibility imposed by law; and

(c) 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	
	2014 $	2013 $
The balance comprises temporary differences attributable to:		
Tax losses	969,375	354,541
Rights issue expenses	55,258	-
Employee benefits	271,479	247,480
Accrued expenses	24,455	28,036
Unrealised foreign exchange loss	7,057	486
Doubtful debts	-	7,232
	1,327,624	637,775

10 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES

	CONSOLIDATED	
	2014 $	2013 $
The balance comprises temporary differences attributable to:		
Accrued interest income	3,051	6,472
Unrealised foreign exchange gain	55,065	149,078
	58,116	155,550

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	
	2014 CENTS	2013 CENTS
From continuing operations attributable to the ordinary equity holders of the company	(3.0)	(1.0)
From discontinued operations	(1.3)	(1.6)
Total basic earnings per share attributable to the ordinary equity holders of the company	(4.3)	(2.6)

(B) DILUTED EARNINGS PER SHARE

	CONSOLIDATED	
	2014 CENTS	2013 CENTS
From continuing operations attributable to the ordinary equity holders of the company	(3.0)	(1.0)
From discontinued operations	(1.3)	(1.6)
Total diluted earnings per share attributable to the ordinary equity holders of the company	(4.3)	(2.6)

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

	CONSOLIDATED	
	2014 $	2013 $
Basic earnings per share		
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	(3,888,395)	(1,957,233)
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	(3,888,395)	(1,957,233)

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS DENOMINATOR

	CONSOLIDATED	
	2014 NUMBER	2013 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	89,704,048	76,037,698
Adjustments for calculation of diluted earnings per share:		
Options	3,952,076	4,150,194
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	93,656,124	80,187,892

(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.

1,564,805 options are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2014 ('out of the money' and/or unvested). These options could potentially dilute basic earnings per share in the future.

12 DISCONTINUED OPERATION

(A) DISCONTINUED OPERATION

(I) DESCRIPTION

In June 2014, the Group made the decision to divest the Axon Sports sports training product business and expressions of interest are currently being sought.

Financial information relating to the discontinued operation for the period is set out below.

(II) FINANCIAL PERFORMANCE

The financial performance information presented is for the year ended 30 June 2014 and the year ended 2013.

	CONSOLIDATED	
	2014 $	2013 $
Revenue (note 5)	249,205	409,397
Expenses	(1,695,594)	(1,616,168)
Loss before income tax	(1,446,389)	(1,206,771)
Income tax (expense)/benefit	433,917	362,031
Loss after income tax of discontinued operation	(1,012,472)	(844,740)
Loss from discontinued operation	**(1,012,472)**	**(844,740)**

13 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2014 $	2013 $
Cash at bank and in hand	1,023,513	758,188
Short-term deposits	6,103,236	2,634,429
	7,126,749	3,392,617

(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.

14 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014 $	2013 $
Trade receivables	2,766,784	3,014,659
Provision for impairment of receivables (a)	-	(24,107)
	2,766,784	2,990,552

(A) IMPAIRED TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the consolidated group in the current year (2013: $24,107).

(B) PAST DUE BUT NOT IMPAIRED

	CONSOLIDATED	
	2014 $	**2013 $**
61-90 days	-	13,629

Receivables past due but not considered impaired are $nil (2013: $13,629). 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.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2014 $	**2013 $**
Current liabilities		
Forward foreign exchange contracts	-	91,529
Total current derivative financial instrument liabilities	-	91,529

16 CURRENT ASSETS - OTHER CURRENT ASSETS

	CONSOLIDATED	
	2014 $	**2013 $**
Accrued Income	107,110	74,372
Prepayments	278,036	154,616
Deposits paid	18,362	18,155
GST Receivable	10,235	12,471
Income tax receivable	19,696	22,989
Other Debtors	-	403,505
	433,439	686,108

17 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2014 $	2013 $
PROPERTY, PLANT AND EQUIPMENT		
Gross value	3,682,402	2,958,465
Accumulated depreciation	(2,364,178)	(2,033,432)
	1,318,224	925,033

CONSOLIDATED	PLANT AND EQUIPMENT $	TOTAL $
YEAR ENDED 30 JUNE 2014		
Opening net book amount	925,033	925,033
Additions	818,776	818,776
Depreciation charge	(402,726)	(402,726)
Impairment loss	(22,859)	(22,859)
Closing net book amount	1,318,224	1,318,224

CONSOLIDATED	PLANT AND EQUIPMENT $	TOTAL $
YEAR ENDED 30 JUNE 2013		
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

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	CONSOLIDATED 2014 $	2013 $
INTELLECTUAL PROPERTY - PRIMARY CARE PHYSICIAN MARKET		
Gross value	2,537,430	2,537,430
Accumulated amortisation	(798,821)	(516,872)
	1,738,609	2,020,558
INTELLECTUAL PROPERTY - CLINICAL TRIALS		
Gross value	401,584	401,584
	2,140,193	2,422,142

CONSOLIDATED	INTELLECTUAL PROPERTY - PRIMARY CARE PHYSICIAN MARKET $	INTELLECTUAL PROPERTY - CLINICAL TRIALS $	TOTAL $
YEAR ENDED 30 JUNE 2014			
Opening net book amount	2,020,545	401,584	2,422,129
Amortisation charge	(281,936)	-	(281,936)
Closing net book amount	1,738,609	401,584	2,140,193

CONSOLIDATED	INTELLECTUAL PROPERTY - PRIMARY CARE PHYSICIAN MARKET $	INTELLECTUAL PROPERTY - CLINICAL TRIALS $	TOTAL $
YEAR ENDED 30 JUNE 2013			
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

IMPAIRMENT LOSSES RECOGNISED

CONTINUING OPERATIONS

These assets were tested for impairment during the year ended 30 June 2014. No impairment loss was recognised for continuing operations in the 2014 financial year.

IMPAIRMENT TESTS FOR INTANGIBLES

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

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

CLINICAL TRIALS CASH GENERATING UNIT (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% (2013: terminal growth rate of 3%).

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 for 30 June 2014 and 30 June 2013.

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% (2013: 20%).The cash generating unit's recoverable amount exceeds the carrying value of the cash generating unit.

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% (2013: terminal growth rate of 3%).

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 for 30 June 2014 and 30 June 2013.

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 based upon market size analysis from external consultants.

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% (2013: 20%). The cash generating unit's recoverable amount exceeds the carrying value of the cash generating unit.

19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 $	2013 $
Trade payables	309,597	220,131
Employee related payables	55,399	64,383
Accrued payables	477,278	780,748
Revenue in advance	278,585	107,637
	1,120,859	1,172,899

20 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	2014 $	2013 $
CURRENT		
Annual leave	712,708	649,354
Long service leave	199,251	171,161
Current provisions	911,959	820,515
NON-CURRENT		
Long service leave	6,820	4,417
	6,820	4,417
Total provisions	918,779	824,932

21 CONTRIBUTED EQUITY

(A) SHARE CAPITAL

	NOTES	2014 SHARES	2013 SHARES	2014 $	2013 $
Ordinary shares					
Ordinary shares - fully paid	21(b), 21(c)	98,954,808	77,213,085	23,771,855	16,262,304

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES	$
1 July 2012	Opening 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
	Exercise of options	1,599,801	531,983
	Issue of new shares via private placement	9,364,865	3,465,000
	Rights Issue	10,777,057	3,987,511
	Rights Issue Expenses	-	(474,943)
30 June 2014	Balance	98,954,808	23,771,855

(C) ORDINARY SHARES

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

(D) PRIVATE PLACEMENT

On 19 November 2013, the company issued 9,364,865 shares at an issue price of $0.37 via private placement to Dagmar Dolby and Douglas Rosenberg.

(E) RIGHTS ISSUE

On 19 November 2013, the company invited its shareholders to subscribe to a fully underwritten rights issue of 10,777,056 ordinary shares at an issue price of $0.37 per share on the basis of 1 share for every 8 ordinary shares held, with these shares issued on 23 December 2013.

(F) 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 2014.

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

22 OTHER RESERVES AND ACCUMULATED LOSSES

(A) OTHER RESERVES

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Share-based payments	1,907,573	1,465,243
Foreign currency translation	(131,218)	(171,704)
	1,776,355	1,293,539

	NOTES	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
MOVEMENTS:			
Share-based payments			
Opening balance		1,465,243	1,339,275
Option expense	27	230,528	125,968
Issue of options for underwriting rights issue	27	313,772	-
Transfer to retained earnings	22B	(101,970)	-
Balance 30 June		1,907,573	1,465,243
Foreign currency translation			
Opening balance		(171,704)	(4,638)
Currency translation differences arising during the year		40,486	(167,066)
Balance 30 June		(131,218)	(171,704)
SHARE BASED PAYMENTS			
Employees		1,717,338	1,312,988
Non-Employees		190,235	152,245
		1,907,573	1,465,243

(B) ACCUMULATED LOSSES

Movements in retained earnings were as follows:

		CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Balance 1 July		(8,746,526)	(6,789,293)
Net loss for the year		(3,888,395)	(1,957,233)
Transfer from share based payments reserve	22A	101,970	-
Balance 30 June		(12,532,951)	(8,746,526)

(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

	2014 $	2013 $
BALANCE SHEET		
Current assets	16,740,515	6,810,040
Total assets	19,509,880	13,074,002
Current liabilities	1,862,376	1,898,141
Total liabilities	1,862,376	1,898,141
Net assets	17,647,504	11,175,861
Shareholders' equity		
Issued capital	23,771,858	16,262,304
Reserves		
Share-based payments	1,460,458	1,143,538
Retained earnings	(7,584,812)	(6,229,981)
Total shareholders' equity	17,647,504	11,175,861
Profit or loss for the year	(1,456,801)	(278,044)
Total comprehensive income	(1,456,801)	(278,044)

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

	2014 $	2013 $
Financial guarantee in relation to commercial lease	88,784	88,784
Contractual commitments in relation to commercial leases	162,117	351,774
	250,901	440,558

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

	CONSOLIDATED	
	2014 $	2013 $
Profit/(loss) for the year	(3,888,395)	(1,957,233)
Depreciation and amortisation	684,663	711,507
Write off of assets	(13,412)	27,920
Non-cash employee benefits expense - share-based payments	230,528	125,969
Interest income	(178,919)	(166,909)
Interest paid	36,776	29,316
Fair value adjustment to derivatives	(91,529)	154,372
Net exchange differences	80,312	(210,642)
Change in operating assets and liabilities:		
(Increase) in trade debtors and other receivables	283,487	(1,011,643)
(Increase) decrease in deferred tax assets	(689,849)	612,455
(Increase) decrease in other operating assets	(32,944)	(413,906)
(Decrease) increase in trade creditors	293,982	85,611
(Decrease) increase in provision for income taxes payable	3,293	145,266
(Decrease) increase in deferred tax liabilities	(97,434)	(4,496)
(Decrease) increase in other provisions	93,847	285,792
(Increase) decrease in prepayments	(123,421)	(40,971)
Net cash inflow (outflow) from operating activities	(3,409,015)	(1,627,592)

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):

		EQUITY HOLDING	
NAME OF ENTITY	COUNTRY OF INCORPORATION	2014 %	2013 %
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
Cogstate Spain SL	Spain	100	-

There was no ownership interest in subsidiaries held by Non-Controlling Interests in 2014 (2013: Nil)

(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) 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$13,566 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	
	2014 $	2013 $
Short-term employee benefits	1,427,010	1,572,934
Post-employment benefits	91,759	75,581
Long-term benefits	21,705	25,188
Share-based payments	133,873	85,631
	1,674,347	1,759,334

Detailed remuneration disclosures are provided in the remuneration report on pages 17 to 25.

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	
	2014 $	2013 $
Options issued under employee share option plan	230,528	125,968

Reconciliation of share-based payment expense for the 2014 financial year is as follows:

CONSOLIDATED	2014 $	2013 $
Expense reversed as options not fully vested lapsed	(1,720)	(10,307)
Expense for options issued during current financial year	80,024	26,574
Expense for options issued in previous financial years	152,224	109,701
	230,528	125,968

(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 vested during the financial year ended 30 June 2014.

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 23 executives/staff eligible for this scheme.

(C) SUMMARIES OF OPTIONS GRANTED UNDER ESOP

	2014 NO.	2014 WAEP	2013 NO.	2013 WAEP
Outstanding at the beginning of the year	10,519,290	$0.21	10,872,979	$0.21
Granted during the year	2,400,000	$0.36	775,000	$0.25
Forfeited during the year	(60,000)	$0.36	(150,000)	$0.24
Exercised during the year	(141,524)	$0.32	(936,667)	$0.19
Expired during the year	(331,978)	$0.38	(42,022)	$0.36
Outstanding at the end of the year	12,385,788	$0.23	10,519,290	$0.21

The outstanding balance as at 30 June 2014 is represented by

NUMBER OF OPTIONS	GRANT DATE	VESTING DATE	EXPIRY DATE	EXERCISE PRICE
68,750	15-Oct-04	15-Oct-07	31-Dec-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
600,000	18-May-07	18-May-04	31-Dec-14	$0.2800
250,000	8-Aug-07	08-Aug-10	08-Aug-17	$0.1700
250,000	25-Oct-07	25-Oct-10	25-Oct-17	$0.1700
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
440,000	29-Jun-09	26-Jun-12	31-Dec-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
350,000	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
533,333	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
1,140,000	29-Jul-13	29-Jul-16	29-Jul-18	$0.3600
450,000	31-Oct-13	31-Oct-15	31-Oct-18	$0.4900
25,000	02-Apr-14	02-Apr-17	02-Apr-19	$0.3600
750,000	02-Jun-14	02-Jun-17	02-Jun-19	$0.2800
12,385,788				

(D) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life for the share options outstanding at 30 June 2014 is 3 years (2013: 3 years).

(E) RANGE OF EXERCISE PRICE

The range of exercise prices for options outstanding at the end of the year was $0.10-$0.49 (2013: $0.10-$0.40).

(F) WEIGHTED AVERAGE EXERCISE PRICE

The weighted average exercise price of options granted during the year was $0.3594 (2013: $0.2548).

(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 2014 and 30 June 2013:

2014	29-JUL-13	31-OCT-13	02-APR-14	02-JUN-14
Dividend yield (%)	0	0	0	0
Expected volatility (%)	44.00	44.00	44.00	44.00
Risk-free interest rate (%)	3.06	3.06	3.68	3.24
Expected life of option (years)	3.5	3	3	3
Option exercise price ($)	0.36	0.49	0.36	0.28
Market share price at grant date ($)	0.36	0.45	0.31	0.24

2013	13-JUL-12	07-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

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:

	CONSOLIDATED	
	2014 $	2013 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	411,695	372,046
Later than one year but not later than five years	553,488	661,773
	965,183	1,033,819

(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 2014 (2013: nil).

29 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.

30 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	
	2014 $	2013 $
Audit and other assurance services		
Audit and review of financial statements	64,539	49,888
Total remuneration for audit and other assurance services	64,539	49,888
Taxation services		
Tax compliance services	53,900	60,060
Total remuneration for taxation services	53,900	60,060
Other services		
Capital raising related services	22,810	-
Total remuneration of Pitcher Partners	141,249	109,948

(B) NETWORK FIRMS OF PITCHER PARTNERS

	CONSOLIDATED	
	2014 $	2013 $
Other services		
Taxation services	51,525	24,447
Total remuneration for other services	51,525	24,447
Total remuneration of network firms of Pitcher Partners	51,525	24,447
Total auditors' remuneration	**192,774**	**134,395**

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 31 to 71 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 2014 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
19 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

PITCHER PARTNERS

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 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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.

PITCHER PARTNERS

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 2014 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 17 to 25 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

K L BYRNE
Partner

19 August 2014

PITCHER PARTNERS
Melbourne

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 11 August 2013.

A. DISTRIBUTION OF EQUITY SECURITIES

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

	CLASS OF EQUITY SECURITY	
	ORDINARY SHARES	
HOLDING	SHARES	OPTIONS
1 - 1000	85	-
1,001 - 5,000	130	4
5,001 - 10,000	87	-
10,001 - 100,000	195	11
100,001 and over	66	16
	563	31

There were 105 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:

	ORDINARY SHARES	
NAME	NUMBER HELD	PERCENTAGE OF ISSUED SHARE
NATIONAL NOMINEES LIMITED	17,730,714	17.92%
DAGMAR DOLBY	13,606,389	13.75%
QUIXOTE INVESTMENT LLC	12,961,831	13.10%
ASIA UNION INVESTMENTS PTY LTD	7,939,986	8.02%
BETA GAMMA PTY LTD	4,647,745	4.70%
CITICORP NOMINEES PTY LIMITED	3,964,200	4.01%
DR PETER ANTHONY BICK & MS MELANIE JO GRIBBLE	2,940,431	2.97%
MR BRADLEY JOHN O'CONNOR	2,770,617	2.80%
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,978,571	2.00%
DALEFORD WAY PTY LTD	1,741,311	1.76%
RAVENSCOURT PTY LTD	1,707,960	1.73%
DOUGLAS ROSENBERG	1,413,787	1.43%
ALEXANDER 2006 LLC	1,159,138	1.17%
MUTUAL TRUST PTY LTD	1,129,806	1.14%
MR DAVID ALEXANDER SIMPSON & MRS DAWN GENTRY SIMPSON	1,124,106	1.14%
HOWITT NOMINEES PTY LTD	1,000,000	1.01%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	902,500	0.91%
MR CAMPBELL DINWOODIE TAYLOR	765,426	0.77%
UOB KAY HIAN PRIVATE LIMITED	755,823	0.76%
MRS ERICA MARGARET STRONG	646,875	0.65%
	80,887,216	81.74%

UNQUOTED EQUITY SECURITIES

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options to acquire ordinary shares, issued under the Directors' and Employees Share Option Plan	12,445,788	31

C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

	NUMBER HELD	PERCENTAGE
NATIONAL NOMINEES LIMITED	17,730,714	17.92%
DAGMAR DOLBY	13,606,389	13.75%
QUIXOTE INVESTMENTS	12,961,831	13.10%
ASIA UNION INVESTMENTS PTY LTD	7,939,986	8.02%
	52,238,920	52.79%

D. VOTING RIGHTS

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

(a) All ordinary fully paid share carry one vote per share without restrictions.

(b) Options do not carry a right to vote.

(c) There is no current on market buy back.