

**Cogstate Limited**

ABN 80 090 975 723

**Half year report  
for the half-year 31 December 2014**

# Cogstate Limited

## Appendix 4D

### Preliminary Half-year Report

### Half-year 31 December 2014

Name of entity  
Cogstate Limited

ABN or equivalent company reference

ABN 80 090 975 723

Half-year

31 December 2014

(Previous corresponding period: 31  
December 2013)

#### Results for announcement to the market

				\$
Revenue for ordinary activities	Up	44.4%	to	7,849,652
Net loss after tax (from ordinary activities) for the period attributable to members	Up	0.9%	to	(2,656,492)

#### Dividends/Distributions

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2014.

	<b>31 December 2014</b>	31 December 2013
Net tangible asset backing (cents per share)	<b>0.07</b>	0.11

**Explanation of results**  
**Revenue Breakdown - A\$**

	<b>Growth</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Clinical Trials Segment	48.9%	7,190,990	4,828,429
Precision Recruitment Segment	100%	252,637	-
Sports Segment	(37.3%)	313,894	500,967
Healthcare Segment	30.6%	13,227	10,127
Other	(100%)	-	40,732
Revenue from Customers	44.4%	7,770,748	5,380,255
Interest Received	42.3%	78,904	55,466
Total Revenue	44.4%	7,849,652	5,435,721

	<b>31 December 2014</b>	<b>31 December 2013</b>
Clinical Trial Revenue contracted at 1 July	9,735,154	8,611,133
Contracts signed during the period *	14,360,943	2,415,169
Revenue recognised **	(5,569,013)	(4,352,740)
Foreign exchange fluctuation ***	(418,650)	332,824
Clinical Trials Revenue contracted at 31 December	18,108,434	7,006,386

\* - Clinical trials contracts are predominantly denominated in \$US. The value of contracts signed has been converted to \$A at the spot rates on the date of the contract being signed.

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

\*\*\* - Prevailing exchange rates - 01/07/2013 A\$1 = US\$0.91; 31/12/2013 A\$1 = US\$0.89; 01/07/2014 A\$1 = US\$0.95 and 31/12/2014 A\$1 = US\$0.82.

Of the \$18,108,434 clinical trials contracted revenue at 31 December, \$5.56m is expected to be recognised in the period 1 January 2015 to 30 June 2015, \$5.18m is expected to be recognised in the 2016 financial year, \$3.19m in the 2017 financial year and \$4.17m in the financial years 2018-2020.

The Net Loss After Tax for the period was \$2.66m, an decreased loss of \$0.02m on the previous corresponding period (2013:\$2.68m loss).

The Net Loss After Tax of \$2.66m for the half year to 31 December 2014 includes continued expenditure in the Axon Sports training business (2014: \$0.49m loss), which was sold on 30 November 2014, as well as expenditure on the Cognigram (Healthcare) business.

During the half year to 31 December 2014 revenue from the Clinical Trials business unit increased significantly compared to the prior corresponding period due to a substantial increase in sales contracts signed during the period. Additionally, during the half year Cogstate increased resources in the Clinical Trials business in order to support the increased sales contracts.

During the half year to 31 December, first significant revenues were recorded in the Precision Recruitment business.

The table below shows detail of revenue and expenses by business unit. This analysis allows comparison to the previous corresponding period for the clinical trials business segment, as it did in the period corresponding period.

The following table's present revenue and profit information regarding the segments of clinical trials, precision recruitment, healthcare and sport markets for the periods ended 31 December 2014 and 31 December 2013.

**Cogstate Limited**  
**Appendix 4D**  
**31 December 2014**  
(continued)

2014	Clinical Trials \$	Precision Recruitment \$	Healthcare market \$	Sport \$	Other \$	Total \$
Sales to external customers	7,190,990	252,637	13,227	313,894	-	7,770,748
<b>Revenue from external customers</b>	<b>7,190,990</b>	<b>252,637</b>	<b>13,227</b>	<b>313,894</b>	<b>-</b>	<b>7,770,748</b>
Cost of Goods Sold	(4,472,342)	(23,475)	(113,635)	(393,354)	(440,707)	(5,443,513)
<b>Total Segment Gross Profit</b>	<b>2,718,648</b>	<b>229,162</b>	<b>(100,408)</b>	<b>(79,460)</b>	<b>(440,707)</b>	<b>2,327,235</b>
Interest revenue	-	-	-	-	78,904	78,904
<b>Total gross profit per statement of comprehensive income</b>						<b>2,406,139</b>
<b>Operating expenses</b>						
Employment expenses	(1,066,807)	(92,755)	(58,182)	39,913	(1,198,440)	(2,376,271)
Other expenses	(878,025)	(47,694)	(456,604)	(292,228)	(1,324,741)	(2,999,292)
<b>Total operating expenses</b>	<b>(1,944,832)</b>	<b>(140,449)</b>	<b>(514,786)</b>	<b>(252,315)</b>	<b>(2,523,181)</b>	<b>(5,375,563)</b>
Operating profit	773,816	88,712	(615,194)	(331,774)	(2,884,985)	(2,969,425)
Depreciation and amortisation expenses	(37,799)	-	-	(9,464)	(148,335)	(195,598)
Foreign exchange gain/(loss) realised and unrealised	-	-	-	-	428,541	428,541
Profit/(loss) on disposal of assets	-	-	-	(663)	(1,985)	(2,648)
Other income	-	-	-	(126,876)	5,000	(121,876)
<b>Segment result</b>	<b>736,017</b>	<b>88,712</b>	<b>(615,194)</b>	<b>(468,777)</b>	<b>(2,601,764)</b>	<b>(2,861,006)</b>
Profit/(loss) before tax per statement of comprehensive income	736,017	88,712	(615,194)	(468,777)	(2,601,764)	(2,861,006)

**Cogstate Limited**  
**Appendix 4D**  
**31 December 2014**  
(continued)

2013	Clinical Trials \$	Healthcare market \$	Sport \$	Other \$	Total \$
Sales to external customers	4,828,429	10,127	500,967	40,732	5,380,255
<b>Revenue from external customers</b>	<b>4,828,429</b>	<b>10,127</b>	<b>500,967</b>	<b>40,732</b>	<b>5,380,255</b>
Cost of Goods Sold	(2,685,505)	(189,564)	(380,372)	(316,916)	(3,572,357)
<b>Total Segment Gross Profit</b>	<b>2,142,924</b>	<b>(179,437)</b>	<b>120,595</b>	<b>(276,184)</b>	<b>1,807,898</b>
Interest revenue	-	-	-	55,466	55,466
<b>Total gross profit per statement of comprehensive income</b>					<b>1,863,364</b>
<b>Operating Expenses</b>					
Employment expenses	(691,874)	(98,183)	(136,508)	(1,135,167)	(2,061,732)
Other expenses	(757,202)	(55,378)	(509,016)	(1,387,107)	(2,708,703)
<b>Total Operating Expenses</b>	<b>(1,449,076)</b>	<b>(153,561)</b>	<b>(645,524)</b>	<b>(2,522,274)</b>	<b>(4,770,435)</b>
Operating profit	693,848	(332,998)	(503,284)	(2,742,992)	(2,885,426)
Depreciation and amortisation expenses	(17,058)	-	(21,645)	(159,372)	(198,075)
Foreign exchange gain/(loss) realised and unrealised	-	-	-	96,125	96,125
Profit/(loss) on disposal of assets	-	-	-	299	299
Fair value gain/(loss) on derivative	-	-	-	91,525	91,525
Finance costs	-	-	-	(18,217)	(18,217)
Other income	-	-	-	2,500	2,500
<b>Segment result</b>	<b>676,790</b>	<b>(332,998)</b>	<b>(524,929)</b>	<b>(2,730,132)</b>	<b>(2,911,269)</b>
Profit/(loss) before tax per statement of comprehensive income	676,790	(332,998)	(524,929)	(2,730,132)	(2,911,269)

# Cogstate Limited ABN 80 090 975 723

## Half year report - 31 December 2014

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Cogstate Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Cogstate Limited is a company limited by shares, incorporated and domiciled in Australia.

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

<b>Directors</b>	Martyn Myer AO BE, MESc, MSM Chairman Brad O'Connor B Bus, CA David Simpson BA (Honours) FAICD Richard van den Broek CFA David Dolby BSE, MBA
<b>Secretary</b>	Claire Newstead-Sinclair BBus, CA
<b>Principal registered office in Australia</b>	Level 2, 255 Bourke Street Melbourne Vic 3000 Australia
<b>Share registry</b>	Link Market Services Level 1/333 Collins Street Melbourne Vic 3000
<b>Auditor</b>	Pitcher Partners Level 19, 15 William Street Melbourne Vic 3000
<b>Solicitors</b>	Clayton Utz 333 Collins Street Melbourne Vic 3000
<b>Bankers</b>	National Australia Bank Level 3/330 Collins Street Melbourne Vic 3000
<b>Stock exchange listings</b>	Cogstate Limited shares are listed on the Australian Stock Exchange. Market code: CGS
<b>Website</b>	<a href="http://www.cogstate.com">www.cogstate.com</a>

## **Directors' report**

Your directors present their report together with the condensed financial report of 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 half-year 31 December 2014 and the independent review report thereon. The 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 period and up to the date of this report:

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

Rodolfo (Rudy) Chapa was a Director from the beginning of the financial period until his resignation on 15 September 2014.

### **Review of operations**

At this time, Cogstate's primary market is cognitive testing in clinical trials. In this market, Cogstate's technology and associated services are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials conducted by pharmaceutical, biotechnology, nutraceutical and functional food companies.

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

In the healthcare market, Cogstate technology is used by primary care physicians to monitor for cognitive decline over time.

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

Cogstate conducts its operations from offices in Australia, the USA and Spain.

For the half year ended 31 December 2014, total revenue increased by 44.4%, compared to the previous corresponding half year. The revenue increase can be attributed to the significant increase in the number and value of Clinical Trials contracts signed during the first half.

Full time equivalent employees at 31 December 2014 totaled 79 compared to 73 full time equivalent employees at 31 December 2013.



**Significant changes in the state of affairs**

Significant changes in the state of affairs of the Group during the financial period were as follows:

On 30 November 2014, Cogstate sold the Axon Sports training business to an American company. Under the terms of the sale, Cogstate will not receive any upfront consideration but will be entitled to a percentage of all revenue over the next 5 years. The purchaser will assume all ongoing costs and liabilities of the Axon Sports training business, including all personnel, development, marketing and promotional costs.

Due to the timing of the sale, there is no receivable or contingent asset to be taken to account as at 31 December 2014.

The total loss on sale has been included in the statement of comprehensive income.

Rodolfo (Rudy) Chapa resigned from the position of non-executive director on 15 September 2014.

**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 5.

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



Martyn Myer AO  
Director  
Melbourne  
17 February 2015

**COGSTATE LIMITED**  
**AUDITOR'S INDEPENDENCE DECLARATION**  
**TO THE DIRECTORS OF COGSTATE LIMITED**

In relation to the independent review for the half-year ended 31 December 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

17 February 2015



PITCHER PARTNERS  
Melbourne

**Cogstate Limited**  
**Condensed consolidated statement of comprehensive income**  
**For the half-year 31 December 2014**

	Notes	31 December 2014 \$	31 December 2013 \$
<b>Operations</b>			
Revenue		7,770,748	5,380,255
Finance income		78,904	55,466
<b>Total Revenue</b>		<b>7,849,652</b>	5,435,721
Cost of sales		<u>(5,443,513)</u>	<u>(3,572,357)</u>
<b>Gross Profit</b>		<b>2,406,139</b>	1,863,364
Fair value gain/(loss) on derivative		-	91,529
Employee benefits expense		(2,376,271)	(2,073,786)
Depreciation and amortisation		(195,597)	(198,075)
Occupancy		(345,629)	(355,506)
Marketing		(372,604)	(266,196)
General Administration		(1,556,776)	(1,255,224)
Net foreign exchange gain/(loss)		428,541	96,126
Travel expenses		(416,178)	(509,575)
Finance expenses		(44,419)	(35,232)
Other		(124,524)	(17,583)
Professional fees		(263,688)	(251,111)
<b>Loss before income tax</b>		<b>(2,861,006)</b>	(2,911,269)
Income tax benefit		204,514	231,603
<b>Loss for the period</b>		<b>(2,656,492)</b>	(2,679,666)
<b>Other comprehensive income</b>			
<i>Items that may be subsequently reclassified to the profit and loss</i>			
Exchange differences on translation of foreign operations		(36,138)	(33,024)
Other comprehensive income for the period, net of tax		(36,138)	(33,024)
<b>Total comprehensive income for the period</b>		<b>(2,692,630)</b>	(2,712,690)
Profit is attributable to:			
Owners of Cogstate Limited		(2,656,492)	(2,679,666)
Total comprehensive income for the period is attributable to:			
Owners of Cogstate Limited		(2,692,630)	(2,712,690)
Total comprehensive income for the year attributable to owners of Cogstate Limited arises from:			
Continuing operations		(2,206,730)	(2,287,529)
Discontinued operations		(485,900)	(425,161)
		<u>(2,692,630)</u>	<u>(2,712,690)</u>

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

**Cogstate Limited**  
**Condensed consolidated statement of comprehensive income**  
**For the half-year 31 December 2014**  
(continued)

	Cents	Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	(2.2)	(2.8)
Diluted earnings per share	(2.2)	(2.8)
<b>Earnings per share for profit from discontinuing operations attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	(0.5)	(0.4)
Diluted earnings per share	(0.5)	(0.4)
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	(2.7)	(3.3)
Diluted earnings per share	(2.7)	(3.3)

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

**Cogstate Limited**  
**Condensed consolidated balance sheet**  
**As at 31 December 2014**

	Notes	31 December 2014 \$	30 June 2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,170,224	7,126,749
Trade and other receivables		2,472,660	2,766,784
Other current assets		567,266	433,439
<b>Total current assets</b>		<b>8,210,150</b>	<b>10,326,972</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,806,769	1,318,224
Deferred tax assets		1,817,471	1,327,624
Intangible assets		1,999,225	2,140,193
<b>Total non-current assets</b>		<b>5,623,465</b>	<b>4,786,041</b>
<b>Total assets</b>		<b>13,833,615</b>	<b>15,113,013</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,283,636	1,120,859
Provisions		868,609	911,959
<b>Total current liabilities</b>		<b>3,152,245</b>	<b>2,032,818</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		345,120	58,116
Provisions		-	6,820
<b>Total non-current liabilities</b>		<b>345,120</b>	<b>64,936</b>
<b>Total liabilities</b>		<b>3,497,365</b>	<b>2,097,754</b>
<b>Net assets</b>		<b>10,336,250</b>	<b>13,015,259</b>
<b>EQUITY</b>			
Contributed equity	3	23,793,589	23,771,855
Other reserves		1,445,447	1,776,355
Accumulated losses		(14,902,786)	(12,532,951)
Capital and reserves attributable to owners of Cogstate Limited		<b>10,336,250</b>	<b>13,015,259</b>
<b>Total equity</b>		<b>10,336,250</b>	<b>13,015,259</b>

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

**Cogstate Limited**  
**Condensed consolidated statement of changes in equity**  
**For the half-year 31 December 2014**

	Attributable to owners of Cogstate Limited					Total equity \$
	Contributed equity \$	Share- based payments \$	Foreign currency translation \$	Retained earnings \$	Total \$	
<b>Balance at 1 July 2013</b>	16,262,304	1,465,243	(171,704)	(8,746,526)	8,809,317	8,809,317
Loss for the period as reported in the 2013 interim financial statements	-	-	-	(2,679,666)	(2,679,666)	(2,679,666)
Other comprehensive income	-	-	(33,024)	-	(33,024)	(33,024)
<b>Total comprehensive income for the period</b>	-	-	<b>(33,024)</b>	<b>(2,679,666)</b>	<b>(2,712,690)</b>	<b>(2,712,690)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of Share Capital	7,452,512	313,771	-	-	7,766,283	7,766,283
Cost of Issue of Share Capital	(456,012)	-	-	-	(456,012)	(456,012)
Exercise of options	504,871	-	-	-	504,871	504,871
Cost of share-based payment	-	106,472	-	-	106,472	106,472
	7,501,371	420,243	-	-	7,921,614	7,921,614
<b>Balance at 31 December 2013</b>	<b>23,763,675</b>	<b>1,885,486</b>	<b>(204,728)</b>	<b>(11,426,192)</b>	<b>14,018,241</b>	<b>14,018,241</b>
<b>Balance at 1 July 2014</b>	23,771,855	1,907,573	(131,218)	(12,532,951)	13,015,259	13,015,259
Loss for the period as reported in the 2014 interim financial statements	-	-	-	(2,656,492)	(2,656,492)	(2,656,492)
Other comprehensive income	-	-	(36,138)	-	(36,138)	(36,138)
<b>Total comprehensive income for the period</b>	-	-	<b>(36,138)</b>	<b>(2,656,492)</b>	<b>(2,692,630)</b>	<b>(2,692,630)</b>
<b>Transfer between share-based payments reserve and retained earnings</b>						
Transfer between share based payment reserve and Retained earnings	-	(286,657)	-	286,657	-	-
Exercise of options	21,734	-	-	-	21,734	21,734
Cost of share-based payment	-	(8,113)	-	-	(8,113)	(8,113)
	21,734	(294,770)	-	286,657	13,621	13,621
<b>Balance at 31 December 2014</b>	<b>23,793,589</b>	<b>1,612,803</b>	<b>(167,356)</b>	<b>(14,902,786)</b>	<b>10,336,250</b>	<b>10,336,250</b>

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

**Cogstate Limited**  
**Consolidated statement of cash flows**  
**For the half-year 31 December 2014**

	Notes	31 December 2014 \$	31 December 2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		8,041,473	6,181,476
Payments to suppliers and employees		<u>(9,641,908)</u>	<u>(8,904,840)</u>
		(1,600,435)	(2,723,364)
Research and Development tax rebate received		-	403,869
<b>Net cash (outflow) from operating activities</b>		<u>(1,600,435)</u>	<u>(2,319,495)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(476,821)	(80,311)
Proceeds from sale of property, plant and equipment		7,175	-
Interest received		<u>85,222</u>	<u>43,242</u>
<b>Net cash (outflow) from investing activities</b>		<u>(384,424)</u>	<u>(37,069)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		21,734	7,957,382
Transaction costs of issue of shares		-	(152,051)
<b>Net cash inflow from financing activities</b>		<u>21,734</u>	<u>7,805,331</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(1,963,125)</u>	<u>5,448,767</u>
Cash and cash equivalents at the beginning of the financial year		7,126,749	3,392,617
Effects of exchange rate changes on cash and cash equivalents		<u>6,600</u>	<u>46,826</u>
<b>Cash and cash equivalents at end of period</b>		<u>5,170,224</u>	<u>8,888,210</u>

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

## **1 Basis of preparation of half-year report**

These condensed consolidated financial reports for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These condensed consolidated financial reports do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for 30 June 2014 and any public announcements made by Cogstate Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied in this half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2014 and the corresponding half-year except as described below in Note 1(a).

### **(a) Impact of standards issued but not yet applied by the entity**

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.

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. 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 31 December 2014.

AASB 15 Revenue from Contracts with Customers introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods and services. AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. 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 AASB 15 and has therefore decided not to early adopt AASB 15 at 31 December 2014.

Other standards and interpretations have been issued at the reporting date but are not yet effective.



## **2 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.

## 2 Segment information (continued)

### (a) Description of segments (continued)

#### Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the Annual Report and in the prior corresponding period.

Consistent with the requirements of AASB 8, as the Chief Operating Decision Maker does not receive information regarding segment assets, no disclosure of segment assets has been provided.

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

- Interest revenue
- Fair value gain/(loss) on derivative
- Interest expense
- Foreign exchange gain/(loss)
- Profit/(loss) on disposal of assets
- Finance costs
- Other income
- Administration costs

### (b) Segment information

The following table's present revenue and profit information regarding the segments of clinical trials, precision recruitment, sport and healthcare markets for the periods ended 31 December 2014 and 31 December 2013.

2014	Clinical Trials \$	Precision Recruitment \$	Healthcare market* \$	Sport \$	Other \$	Total \$
Sales to external customers	7,190,990	252,637	13,227	313,894	-	7,770,748
<b>Revenue from external customers</b>	<b>7,190,990</b>	<b>252,637</b>	<b>13,227</b>	<b>313,894</b>	<b>-</b>	<b>7,770,748</b>
Cost of Goods Sold	(4,472,342)	(23,475)	(113,635)	(393,354)	(440,707)	(5,443,513)
<b>Total Segment Gross Profit</b>	<b>2,718,648</b>	<b>229,162</b>	<b>(100,408)</b>	<b>(79,460)</b>	<b>(440,707)</b>	<b>2,327,235</b>
Interest revenue	-	-	-	-	78,904	78,904
<b>Total gross profit per statement of comprehensive income</b>						<b>2,406,139</b>
Operating profit	773,816	88,712	(615,194)	(331,774)	(2,884,985)	(2,969,425)
Depreciation and amortisation expenses	(37,799)	-	-	(9,464)	(148,335)	(195,598)
Foreign exchange gain/(loss) realised and unrealised	-	-	-	-	428,541	428,541
Profit/(loss) on disposal of assets	-	-	-	(663)	(1,985)	(2,648)
Other income	-	-	-	(126,876)	5,000	(121,876)
<b>Segment result</b>	<b>736,017</b>	<b>88,712</b>	<b>(615,194)</b>	<b>(468,777)</b>	<b>(2,601,764)</b>	<b>(2,861,006)</b>
Profit/(loss) before tax per statement of comprehensive income	736,017	88,712	(615,194)	(468,777)	(2,601,764)	(2,861,006)

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

## 2 Segment information (continued)

### (b) Segment information (continued)

2013	Clinical Trials \$	Healthcare market* \$	Sport \$	Other \$	Total \$
Sales to external customers	4,828,429	10,127	500,967	40,732	5,380,255
<b>Revenue from external customers</b>	<b>4,828,429</b>	<b>10,127</b>	<b>500,967</b>	<b>40,732</b>	<b>5,380,255</b>
Cost of Goods Sold	(2,685,505)	(189,564)	(380,372)	(316,916)	(3,572,357)
<b>Total Segment Gross Profit</b>	<b>2,142,924</b>	<b>(179,437)</b>	<b>120,595</b>	<b>(276,184)</b>	<b>1,807,898</b>
Interest revenue	-	-	-	55,466	55,466
<b>Total gross profit per statement of comprehensive income</b>					<b>1,863,364</b>
Operating profit	693,848	(332,998)	(503,284)	(2,742,992)	(2,885,426)
Depreciation and amortisation expenses	(17,058)	-	(21,645)	(159,372)	(198,075)
Foreign exchange gain/(loss) realised and unrealised	-	-	-	96,125	96,125
Profit/(loss) on disposal of assets	-	-	-	299	299
Fair value gain/(loss) on derivative	-	-	-	91,525	91,525
Finance costs	-	-	-	(18,217)	(18,217)
Other income	-	-	-	2,500	2,500
<b>Segment result</b>	<b>676,790</b>	<b>(332,998)</b>	<b>(524,929)</b>	<b>(2,730,132)</b>	<b>(2,911,269)</b>
Profit/(loss) before tax per statement of comprehensive income	676,790	(332,998)	(524,929)	(2,730,132)	(2,911,269)

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

## 3 Contributed equity

### (a) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price \$
1 July 2014	Opening balance	98,954,808	23,771,855
27 August 2014	Exercise of options	50,000	12,000
17 September 2014	Exercise of options	33,333	7,334
17 September 2014	Exercise of options	10,000	2,400
31 December 2014	Balance	<u>99,048,141</u>	<u>23,793,589</u>

#### **4 Sale of Axon Sports Training Business**

On 30 November 2014, Cogstate sold the Axon Sports training business to an American company. Under the terms of the sale, Cogstate will not receive any upfront consideration but will be entitled to a percentage of all revenue over the next 5 years. The purchaser has assumed all ongoing costs and liabilities of the Axon Sports training business, including all personnel, development, marketing and promotional costs.

At this stage, the inflows from the percentage of revenue over the next 5 years are not virtually certain or yet probable and, hence, there is no receivable or contingent asset to be taken to account as at 31 December 2014.

The total loss on sale has been included in the statement of comprehensive income.

#### **5 Commitments & Contingencies**

The only changes in commitments and contingent liabilities since 30 June 2014, is from the payment of operating leases. No new commitments or contingent liabilities have arisen.

#### **6 Events occurring after the reporting period**

No matter or circumstance has occurred subsequent to period 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 or economic entity in subsequent financial periods.

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-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.

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

A handwritten signature in black ink, appearing to read 'Martyn Myer', is written over a light grey rectangular background.

Martyn Myer AO  
Director  
Melbourne  
17 February 2015

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

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

We have reviewed the accompanying half-year financial report of Cogstate Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cogstate Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



K L BYRNE  
Partner

17 February 2015



PITCHER PARTNERS  
Melbourne