

Cogstate Limited

ABN 80 090 975 723

Half Year Report

For the Half-Year 31 December 2016



COGSTATE

Cogstate Limited
Appendix 4D
Preliminary Half-year Report
Half-year 31 December 2016

Name of entity
Cogstate Limited

ABN or equivalent company reference
ABN 80 090 975 723

Half-year 31 December 2016
(Previous corresponding period: 31 December 2015)

Results for announcement to the market



Revenue from ordinary activities
\$18,570,060
Up 42.6%



Net Profit Before Tax
\$1,512,965
Up 37.5%



Net profit after tax (from ordinary activities) for the period attributable to members
\$966,417
Down 62.2%

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 2016.

	31 December 2016	31 December 2015
Net tangible asset backing (per share)	0.11	0.09

Explanation of results

Revenue Breakdown - A\$

	Growth	31 December 2016	31 December 2015
Clinical Trials (including on-site and on-line screening)	42.4%	\$18,377,158	\$12,904,890
Healthcare (including concussion management)	230.8%	\$138,332	\$41,815
Research	(46.2%)	\$18,219	\$33,836
Revenue from Customers	42.8%	\$18,533,709	\$12,980,541
Interest Received	(9.7%)	\$36,351	\$40,237
Total Revenue	42.6%	\$18,570,060	\$13,020,778

Measured in Australian dollars, Cogstate recorded a 42.8% increase in revenue from customers compared to the previous corresponding financial half year.

Over 99% of Cogstate revenue from customers was generated through the Clinical Trials business, where Cogstate works with pharmaceutical and biotechnology companies to help them measure the impact that their investigational compounds have on the cognition of the study participant. In this market, Cogstate provides scientific and operational expertise, access to data, and flexible technology solutions to standardise the measurement of study endpoints. Cogstate's offering includes provision of computerised cognitive tests as well as expert management, training, scoring and monitoring of traditional cognitive assessment scales - in all cases focused on improving the reliability of results.

	31 December 2016	31 December 2015
Clinical Trials Revenue (including on-site and on-line screening) contracted at 1 July	\$33,953,931	\$21,369,577
Contracts signed during the period *	\$30,344,194	\$23,663,709
Revenue recognised **	(\$18,377,158)	(\$12,904,890)
Foreign exchange fluctuation ***	(\$1,969,262)	\$2,795,841
Clinical Trials Revenue contracted at 31 December	\$43,951,705	\$34,924,237

* - 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 - 01/07/2015 A\$1 = US\$0.7687 and 31/12/2015 A\$1 = US\$0.7298; 01/07/2016 A\$1 = US\$0.7460 and 31/12/2016 A\$1 = US\$0.7236.

Cogstate enters into a contract with the customer for the provision of technology and services for each study. The contract value will differ for each contract, depending upon the scope of the technology and services provided as well as the complexity and length of the study. Revenue from clinical trials contracts is recognised over the life of the contract. The length of a clinical trial can vary from 9 months for a phase 1 study and up to 4-5 years for a phase 3 study. Invoices are issued and revenue is recognised based upon achievement of pre-determined milestones.

At 1 July 2016, Cogstate had \$34.0 million of contracted revenue that would be recognised in future periods, up 58.9% on the amount of future revenue contracted at 1 July 2015. During the six months to 31 December 2016, Cogstate signed \$30.3 million of new sales contracts, up 28.2% on the previous corresponding half year. After recognising \$18.4 million of revenue from those contracts during the financial half year, Cogstate had, at 31 December 2016, \$44.0 million of contracted revenue expected to be recognised in future periods. Of the contracted revenue at 31 December 2016, \$12.3 million is expected to be recognised in the six months from 1 January 2017 to 30 June 2017, \$15.5 million is expected to be recognised in the 2018 financial year, \$8.5 million in the 2019 financial year and \$7.7 million in the financial years 2020 - 2022.

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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 2016 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

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
David Dolby BSE, MBA
Richard Mohs, PhD
Jane McAloon BEc (Hons), LLB, GDipGov, FAICD

Secretary

Claire Newstead-Sinclair BBus, CA
Cindy Tilley BCom, CPA

Principal registered office in Australia

Level 2, 255 Bourke Street, Melbourne Vic 3000
Australia

Share 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

Stock exchange listings

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

Website

www.cogstate.com

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 2016 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 unless otherwise stated:

- Martyn Myer AO
- Brad O'Connor
- David Simpson
- Richard van den Broek
- David Dolby
- Richard Mohs (appointed 20 January 2017)
- Jane McAloon (appointed 27 January 2017)

Review of operations

Cogstate Ltd is a leading cognitive science company focused on optimising the measurement of cognition to guide decision-making. Cogstate commercialises rapid, reliable and highly sensitive computerised cognitive tests for clinical trials, academic research and healthcare.

In its Clinical Trials business, Cogstate provides both novel technologies and expert professional services for clinical research programs seeking to demonstrate a drug's impact on cognition. Delivering solutions spanning the continuum from study design to final statistical analysis. Cogstate regularly works with many of the world's largest pharmaceutical companies and has participated in over 300 clinical trials of varying indications, including Alzheimer's disease, anaemia, cardiovascular, childhood and adult epilepsy, major depressive disorder, oncology, Parkinson's disease and schizophrenia.

Cogstate regularly collaborates with academics to support their research initiatives. Cogstate has participated in over 1,200 active or completed academic research studies in 67 different indications. This collaborative work has resulted in over 400 peer reviewed publications of Cogstate data. In Alzheimer's disease, Cogstate is at the forefront of leading prevention trials via its participation in key studies such as Anti-Amyloid Treatment in Asymptomatic Alzheimer's study (A4), the Dominantly Inherited Alzheimer Network Observational Study (DIAN), the Australian Imaging, Biomarker & Lifestyle Study of Ageing (AIBL) and the Alzheimer's Disease Neuroimaging Initiative (ADNI).

In Healthcare, Cogstate provides physicians with tools to assess cognition of their patients. The reports generated on the basis of such an assessment allow physicians to identify subtle changes that could be indicative of a range of factors from head injury to the early stage of a neurodegenerative disease, such as Alzheimer's disease. Cogstate intends to develop COGNIGRAM™ to monitor changes in cognitive function following concussion or after treatment with drugs or other types of interventions.

In 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. Current users of Cogstate 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 Cogstate system.

Cogstate has 3 primary offices in the following locations: an Australian head office based in Melbourne; two locations in the USA including a primary office in New Haven, CT and a smaller office in New York, NY. Staff who are not based in one of these offices work remotely.

For the half year ended 31 December 2016, total revenue increased by 42.6%, 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 of the financial year.

Full time equivalent employees at 31 December 2016 totalled 152 compared to 109 full time equivalent employees at 31 December 2015.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the period ended 31 December 2016.

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 8.

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

A handwritten signature in blue ink, appearing to read 'Martyn Myer', with a stylized flourish at the end.

Martyn Myer AO, Chairman
Melbourne
22 February 2017

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

In relation to the independent auditor's review for the half year ended 31 December 2016, 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 *APES110 Code of Ethics for Professional Accountants*.

This declaration is in respect of Cogstate Limited and the entities it controlled during the period.



S SCHONBERG
Partner



PITCHER PARTNERS
Melbourne

22 February 2017

Cogstate Limited
Condensed consolidated statement of comprehensive income

For the half-year 31 December 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Operations			
Revenue	3	18,533,709	12,980,541
Finance income		36,351	40,237
Total Revenue		18,570,060	13,020,778
Cost of sales		(8,054,454)	(5,543,453)
Gross Profit		10,515,606	7,477,325
Other income	4	61,416	22,302
Employee benefits expense		(6,579,308)	(4,378,402)
Depreciation and amortisation		(198,562)	(134,416)
Occupancy		(486,973)	(334,783)
Marketing		(328,333)	(251,238)
General Administration		(1,157,978)	(908,560)
Net foreign exchange gain		395,761	99,836
Travel expenses		(415,542)	(251,774)
Finance expenses		(33,612)	(30,280)
Other expenses		(10,368)	(15,226)
Professional fees		(249,142)	(194,432)
Profit before income tax		1,512,965	1,100,352
Income tax benefit/(expense)		(546,548)	1,455,936
Profit for the period		966,417	2,556,288
Other comprehensive income		-	-
Total comprehensive income for the period		966,417	2,556,288
Profit is attributable to:			
Owners of Cogstate Limited		966,417	2,556,288
Total comprehensive income for the period is attributable to:			
Owners of Cogstate Limited		966,417	2,556,288
Total comprehensive income for the year attributable to owners of Cogstate Limited arises from:			
Continuing operations		966,417	2,556,288

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 2016 (continued)

	31 December 2016 Cents	31 December 2015 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:		
Basic earnings per share	0.9	2.4
Diluted earnings per share	0.8	2.3
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	0.9	2.4
Diluted earnings per share	0.8	2.3

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 2016

	Notes	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		11,212,088	7,471,284
Trade and other receivables		6,094,496	5,260,768
Other current assets		1,701,444	937,358
Total current assets		19,008,028	13,669,410
Non-current assets			
Property, plant and equipment		1,852,158	1,713,357
Deferred tax assets	5	3,488,474	3,844,937
Intangible assets		401,584	401,584
Total non-current assets		5,742,216	5,959,878
Total assets		24,750,244	19,629,288
LIABILITIES			
Current liabilities			
Trade and other payables		4,035,763	3,115,699
Unearned revenue	6	2,628,104	274,668
Provisions		1,831,185	1,685,721
Total current liabilities		8,495,052	5,076,088
Non-current liabilities			
Deferred tax liabilities		840,606	723,720
Provisions		62,770	34,575
Total non-current liabilities		903,376	758,295
Total liabilities		9,398,428	5,834,383
Net assets		15,351,816	13,794,905
EQUITY			
Contributed equity	7	28,322,495	27,892,930
Other reserves		721,965	561,036
Accumulated losses		(13,692,644)	(14,659,061)
Capital and reserves attributable to owners of Cogstate Limited		15,351,816	13,794,905
Total equity		15,351,816	13,794,905

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 2016

	Notes	Attributable to owners of Cogstate Limited				Total Equity \$
		Contributed equity \$	Share- based payments \$	Foreign currency translation \$	Retained earnings \$	
Balance at 1 July 2015		26,557,229	989,907	(131,218)	(17,300,980)	10,114,938
Profit for the period as reported in the 2015 interim financial statements		-	-	-	2,556,288	2,556,288
Total comprehensive income for the period		-	-	-	2,556,288	2,556,288
Transactions with owners in their capacity as owners:						
Transfer to share capital on exercise of options		245,586	(245,586)	-	-	-
Exercise of options		513,296	-	-	-	513,296
Cost of share-based payment		-	30,391	-	-	30,391
		758,882	(215,195)	-	-	543,687
Balance at 31 December 2015		27,316,111	774,712	(131,218)	(14,744,692)	13,214,913
Balance at 1 July 2016		27,892,930	692,254	(131,218)	(14,659,061)	13,794,905
Profit for the period as reported in the 2016 interim financial statements		-	-	-	966,417	966,417
Total comprehensive income for the period		-	-	-	966,417	966,417
Transfer between share-based payments reserve and retained earnings						
Transfer to share capital on exercise of options	7	93,965	(93,965)	-	-	-
Exercise of options	7	335,600	-	-	-	335,600
Cost of share-based payment		-	254,894	-	-	254,894
		429,565	160,929	-	-	590,494
Balance at 31 December 2016		28,322,495	853,183	(131,218)	(13,692,644)	15,351,816

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 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities			
Receipts from customers		22,192,663	14,166,015
Payments to suppliers and employees		(18,056,457)	(14,006,122)
		4,136,206	159,893
Grants received		-	2,889
Net cash inflow from operating activities	8	4,136,206	162,782
Cash flows from investing activities			
Payments for property, plant and equipment		(608,981)	(1,182,422)
Interest received		33,129	39,724
Net cash (outflow) from investing activities		(575,852)	(1,142,698)
Cash flows from financing activities			
Proceeds from issues of shares		335,600	513,296
Net cash inflow from financing activities		335,600	513,296
Net increase (decrease) in cash and cash equivalents		3,895,954	(466,620)
Cash and cash equivalents at the beginning of the financial year		7,471,284	5,497,197
Effects of exchange rate changes on cash and cash equivalents		(155,150)	59,397
Cash and cash equivalents at end of period		11,212,088	5,089,974

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

Notes to the consolidated financial statements

1 Basis of preparation of half-year report

These condensed consolidated financial reports for the half-year reporting period ended 31 December 2016 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 2016 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.

Cogstate Ltd is a for profit entity for the purposes of preparing the financial statements.

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 2016 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. For financial liabilities, the new requirements only affect the accounting for those that are designated at fair value through profit and 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 2018 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 2016.

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 2018 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 2016.

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.

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
- Royalty income
- Finance costs
- Depreciation and amortisation expense
- Other income/(expenses)
- Research and Development Grant
- Administration costs

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 healthcare market. In this market, the technology and associated services are being developed as a tool for primary care physicians to assess cognitive decline.

Another market Cogstate is involved in is Academic Research, however, this market is not currently significant to Cogstate's results and is not reported as a separate operating segment.

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)

(b) Segment information

The following table's present revenue and profit information regarding the segments of Clinical Trials and Healthcare markets for the half year periods ended 31 December 2016 and 31 December 2015.

2016	Clinical Trials (including on-site and on-line screening) \$	Healthcare (including concussion management) \$	Administration (including research) \$	Total \$
Sales to external customers	18,377,158	138,332	18,219	18,533,709
Revenue from external customers	18,377,158	138,332	18,219	18,533,709
Cost of Sales	(7,593,829)	(439,964)	(20,661)	(8,054,454)
Total Segment Gross Profit	10,783,329	(301,632)	(2,442)	10,479,255
Interest revenue	-	-	36,351	36,351
Total gross profit per statement of comprehensive income				10,515,606
Net Pass-through Recovery	46,726	-	-	46,726
Operating profit	10,830,055	(301,632)	(9,200,471)	1,327,952
Depreciation and amortisation expenses	-	-	(198,562)	(198,562)
Foreign exchange gain/(loss) realised and unrealised	-	-	395,761	395,761
Profit/(loss) on disposal of assets	-	-	6,736	6,736
Royalty income	-	-	14,690	14,690
Finance costs	-	-	(33,612)	(33,612)
Segment result	10,830,055	(301,632)	(9,015,458)	1,512,965
Profit/(loss) before tax per statement of comprehensive income	10,830,055	(301,632)	(9,015,458)	1,512,965

2 Segment information (continued)

(b) Segment information (continued)

2015	Clinical Trials (including on-site and on-line screening) \$	Healthcare (including concussion management) \$	Administration (including research) \$	Total \$
Sales to external customers	12,904,890	41,815	33,836	12,980,541
Revenue from external customers	12,904,890	41,815	33,836	12,980,541
Cost of Sales	(5,297,570)	(234,586)	(11,297)	(5,543,453)
Total Segment Gross Profit	7,607,320	(192,771)	22,539	7,437,088
Interest revenue	-	-	40,237	40,237
Total gross profit per statement of comprehensive income				7,477,325
Operating Expenses				
Total Operating Expenses	-	-		
Net Pass-through Recovery	7,295	-	-	7,295
Operating profit	7,614,615	(192,771)	(6,256,414)	1,165,430
Depreciation and amortisation expenses	-	-	(134,416)	(134,416)
Foreign exchange gain/(loss) realised and unrealised	-	-	99,836	99,836
Profit/(loss) on disposal of assets	-	-	(15,225)	(15,225)
Royalty income	-	-	12,118	12,118
Finance costs	-	-	(30,280)	(30,280)
Grant income	-	-	2,889	2,889
Segment result	7,614,615	(192,771)	(6,321,492)	1,100,352
Profit/(loss) before tax per statement of comprehensive income	7,614,615	(192,771)	(6,321,492)	1,100,352

3 Revenue

	31 December 2016 \$	31 December 2015 \$
From continuing operations		
Sales revenue		
Sale of services and licenses in clinical trials (including on-site and on-line screening)	18,377,158	12,904,890
Sale of services and licenses in healthcare (including concussion management)	138,332	41,815
Sale of services and licenses in research	18,219	33,836
	18,533,709	12,980,541

4 Other income

	Notes	31 December 2016 \$	31 December 2015 \$
Government grants		-	2,889
Royalty revenue		14,690	12,118
Net pass-through recovery		46,726	7,295
		61,416	22,302

5 Non-current assets - Deferred tax assets

	31 December 2016 \$	30 June 2016 \$
The balance comprises temporary differences attributable to:		
Tax losses	2,441,648	3,133,115
Employee benefits	650,296	594,796
Rights Issue Expenses	-	27,629
Accrued expenses	355,523	60,849
Unrealised foreign exchange loss	11,710	-
Doubtful debts	29,297	28,548
	3,488,474	3,844,937

In Cogstate Ltd tax losses of A\$3,248,032 are available for future use at 31 December 2016.

In Cogstate Inc tax losses of A\$3,669,015 are available for future use at 31 December 2016.

The deferred tax asset of \$2,441,648 represents all available tax losses for use within Australian and the United States at the applicable tax rate.

Tax losses incurred in Canada and Spain have not yet been recognised as a deferred tax asset for future use.

6 Unearned revenue

	31 December 2016 \$	30 June 2016 \$
Unearned revenue	2,628,104	274,668

As at 30 June 2016, an amount of \$1,105,361 of unearned revenue was offset against the associated trade receivable. As at 31 December 2016, the accounting treatment was changed to reflect the gross receivable and gross liability.

7 Contributed equity

(a) Movements in ordinary share capital

Date	Details	Number of shares	Price per share	Issue price \$
1 July 2016	Opening balance	111,873,515		27,892,930
23 August 2016	Exercise of options	6,667	\$0.36	2,400
18 October 2016	Exercise of options	500,000	\$0.28	140,000
18 October 2016	Exercise of options	83,333	\$0.21	17,500
18 October 2016	Exercise of options	25,000	\$0.36	9,000
18 October 2016	Exercise of options	100,000	\$0.22	22,000
18 October 2016	Exercise of options	10,000	\$0.36	3,600
20 October 2016	Exercise of options	250,000	\$0.22	55,000
21 October 2016	Exercise of options	50,000	\$0.22	11,000
28 October 2016	Exercise of options	50,000	\$0.49	24,500
3 November 2016	Exercise of options	100,000	\$0.22	22,000
18 November 2016	Exercise of options	30,000	\$0.22	6,600
21 November 2016	Exercise of options	100,000	\$0.22	22,000
	Transfer to share capital on exercise of options	-		93,965
31 December 2016	Balance	113,178,515		28,322,495

8 Reconciliation of profit after income tax to net cash inflow from operating activities

	31 December 2016 \$	31 December 2015 \$
Profit after income tax for the year	966,417	2,556,288
Depreciation and amortisation	443,839	303,573
(Profit) loss on disposal assets	(6,736)	15,226
Non-cash employee benefits expense - share-based payments	254,894	30,961
Net exchange differences	155,068	(112,507)
Change in operating assets and liabilities:		
(Increase) in trade debtors and other receivables	(833,698)	(1,786,949)
(Increase) decrease in deferred tax assets	356,463	(1,615,862)
(Increase) in other operating assets	(477,563)	(691,284)
Increase in trade and other payables	920,064	1,031,163
Increase in unearned revenue	2,353,436	145,268
(Decrease) in provision for income taxes payable	(90,101)	-
Increase in deferred tax liabilities	116,886	91,382
Increase in employee provisions	173,659	195,523
(Increase) in prepayments	(196,422)	-
Net cash inflow (outflow) from operating activities	4,136,206	162,782

9 Commitments & Contingencies

No new commitments or contingent liabilities have arisen.

10 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.

Directors' declaration

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 9 to 20 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 2016 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.



Martyn Myer AO, Chairman
Melbourne
22 February 2017

Independent auditor's review report to the members



**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 2016, 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 2016 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*.

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

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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*.



S SCHONBERG
Partner



PITCHER PARTNERS
Melbourne

22 February 2017