



Cogstate



FY18 Annual Report

A year of transforming brain health
assessment across clinical research
and clinical practice.

Science driven **brain health assessments** from clinical trials to clinical practice.



Contents

2

Leaders in Cognitive
Measurement

4

Clinical Trials

8

Clinical Practice

10

Business Milestones

14

Chairman's Letter

16

Summary of Financial
Performance

19

Corporate Directory

20

Review of Operations
and Activities

24

Directors' Report

43

Financial Statements

78

Independent Auditor's
Report to the Members

These financial statements are the consolidated financial statements of the Group consisting of Cogstate Limited and its subsidiaries. A list of the major subsidiaries is included in Note 25. The financial statements are presented in US dollars.

Cogstate Limited is a company limited by shares, incorporated and domiciled in Australia, and 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 Group's operations and its principal activities is included in the Directors' Report.

The financial statements were authorised for issue by the directors on 10 August 2018.

Leaders in Cognitive Measurement

Digital brain health assessments and novel technology enhancements for traditional cognitive measures, all driven by scientific and operational expertise.



Our proven technologies allow clients to measure cognition with greater fidelity

- World class scientific leadership
- Market leading digital brain health assessments
- Technology solutions, combined with novel eLearning approach, to improve traditional (analogue) cognitive assessment in trials
- Recently launched medical device (regulatory clearance in US, EU, Canada & Aust)

We are commercialising our solutions in two large and growing markets



Clinical Trials

Full-service outsourced solution for optimising the measurement of cognition in clinical trials for more than 70 indications



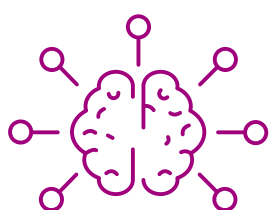
Clinical Practice

Tools to detect cognitive change and impairment in patients for use in hospital, physician or at-home settings



Clinical Trials

Supported over 1,500 studies across
Academic and Clinical Research



>70

Indications



>90

Languages
& Dialects



>400

Peer Reviewed
Publications



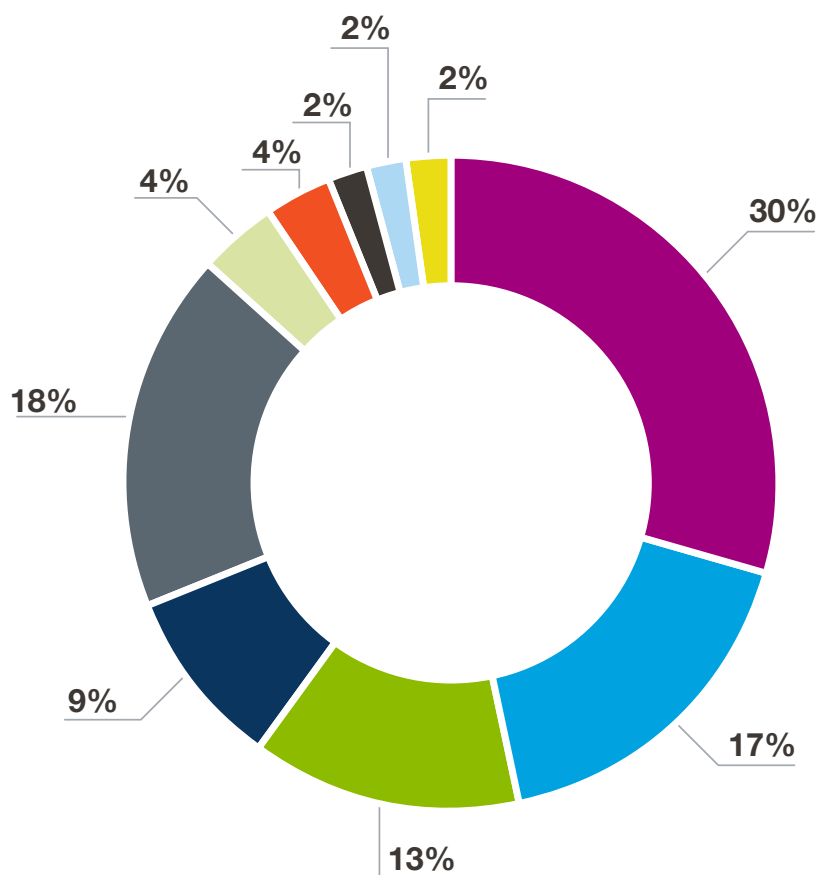
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Countries



Cogstate works with

14 of the top 15
pharmaceutical companies
by R&D Spend

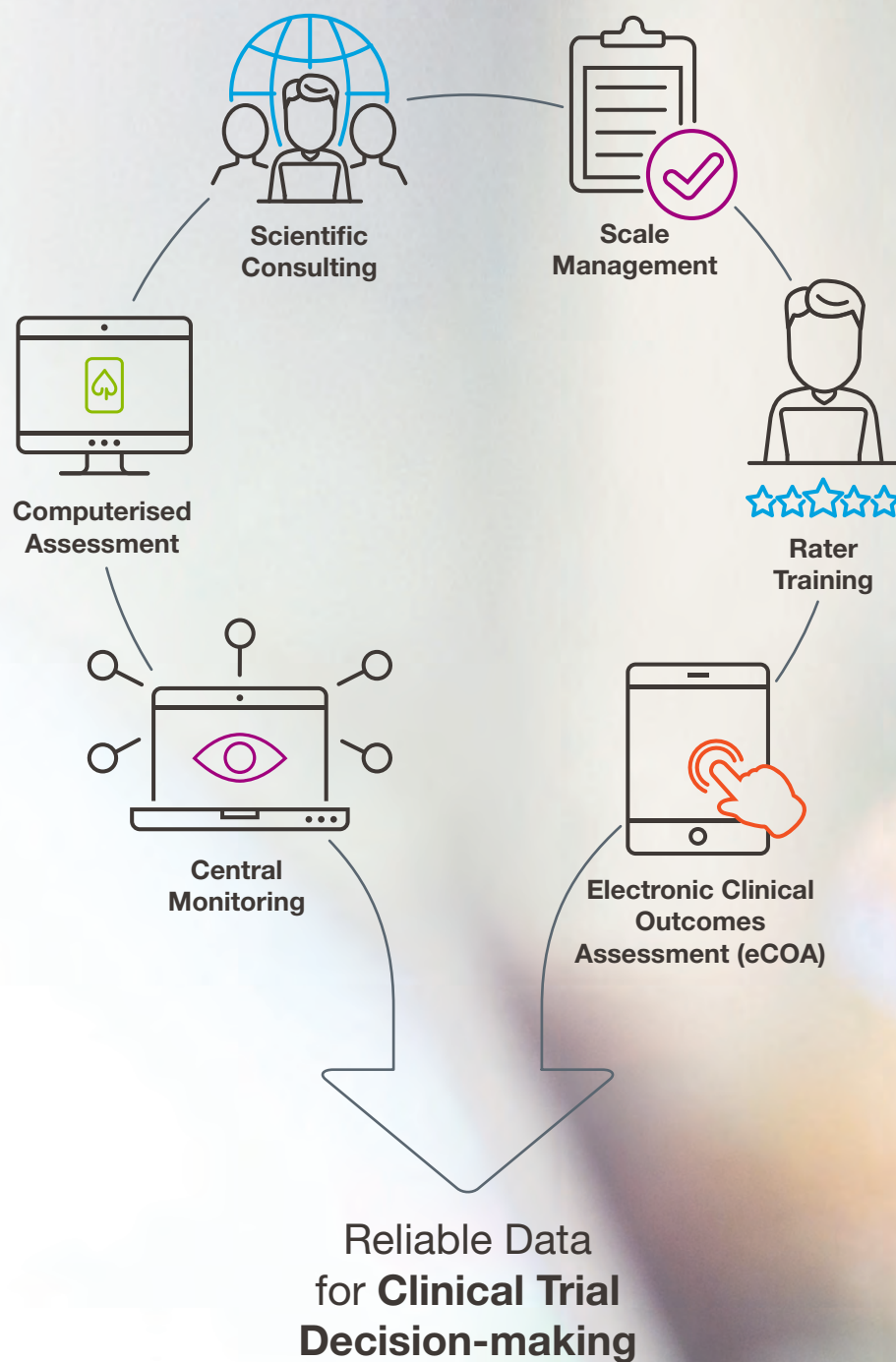


Indications

- Alzheimer's disease & other dementias
- Schizophrenia
- Safety & Tolerability Studies
- Depressive disorders
- Other
(including genetic disorders, Autism spectrum disorders, diabetes, stroke, heart failure, Attention deficit hyperactivity disorder (ADHD), Concussion & Traumatic brain injury, Pain, Sleep disorders, Fragile X syndrome and Blood disorders)
- Epilepsy
- Glioblastoma & other cancers
- HIV
- Parkinson's disease (PD)
- Hypercholesterolemia



Complete Solution for Optimising Cognitive Measures



Clinical Trials Solutions are Organised Into Two Core Offerings

Computerised Cognitive Assessment

Rapid, Sensitive and Reliable Tests Designed for Clinical Research

- Screening, inclusion/exclusion criteria, safety and efficacy endpoints
- Computerised cognitive tests increase the sensitivity and specificity of the measurement of human cognitive processes
- Designed, developed and validated to withstand the numerous operational challenges of conducting clinical trials, such as:
 - testing patient groups with unique characteristics,
 - working with sites in countries or cultures with limited experience with cognitive testing
 - protocol schedules where there is often limited time available for assessment

eCOA, Rater Training & Central Monitoring

Reducing Trial Risk by Ensuring Higher Quality Outcome Measures

- Scientific and operational expertise in cognitive and behavioral scales:
 - Scales selection/consultation and management (permissions and licenses, source docs, translations, logistics)
 - Rater training and training materials development (didactic slides, videos, quizzes, scoring exercises, audio/video recorded practice, etc.)
 - Central monitoring (forms, data-based, audio, video)
- Enhanced tablet-based eSource data capture for eCOA
- Global capabilities and extensive network of expert consultants in over 30 countries

Clinical Practice

What is Cognigram?

The Cognigram system is a digital cognitive testing tool with a self-administered assessment that can be completed both in-clinic and at-home.

The Cognigram system is being used to support brain health management for the elderly population, for cognitive monitoring related to mild cognitive impairment as part of the dementia disease process, as well as cognitive dysfunction and delirium caused by geriatric surgery and other therapeutic interventions. For more than ten years, Cogstate Healthcare has also provided concussion testing technologies to numerous sports organisations around the world, including professional sports leagues and teams, universities and colleges, medical centers and physician practices, and high schools.





10-15 minute

test for clinical
care setting



Can be taken
at home or in
hospital/clinic



Assessment results
instantly
available to healthcare
professionals via clear
and informative report



**Regulatory
clearance**

for commercial launch
in USA, EU, Canada
and Australia



HIPAA
compliant

Business Milestones





Continued sales and revenue growth in the Clinical Trials business

Cogstate continued to grow sales and revenue in the Clinical Trials segment, expanding both our customer base and account penetration with further growth prospects into the future:

- Sales of US\$36.1 million, up 22%.
- Revenue of US\$29.0 million, up 9.7%.
- Contracted revenue backlog of US\$28.4 million at 30 June 2018.



Regulatory approvals enabling the launch of Cognigram

In July 2017, Cogstate received notification from the U.S. Food and Drug Administration (FDA) that the Company's 510(k) submission (K171658) for the COGNIGRAM cognitive assessment system has been reviewed by the Center for Devices and Radiological Health and found to meet the requirements of regulations 21 CFR 882.1470; Class II Exempt Medical Device. This notification allowed the company to market the medical device for commercial distribution in the U.S.

In June 2018, Cogstate also received CE Mark approval for Cognigram to allow Cogstate to market the medical device for commercial distribution in the European Union.

Additional regulatory clearance has also been granted in Australia and Canada.



Initial commercial results for Cognigram

In its first full year of commercialisation, Cognigram generated US\$0.67 million of sales contracts, and generated US\$0.38 million of revenue for the year to 30 June 2018.

The majority of Cognigram licensing agreements grant access to the system for a 12 month period or longer, with revenue recognised over the life of the contract.



Key additions to scientific leadership team

The Cogstate team of accomplished neuropsychologists scientists is experienced in all aspects of clinical conduct, from study design to cognitive data interpretation. They provide actionable insights into:

- Drug development strategies
- Protocol design
- Test selection for screening, safety and efficacy
- Exploratory measures and innovative methodologies
- Test design and development
- Statistical plans, analyses and reports

Throughout the 2018 financial year, Cogstate added significant expertise to its already impressive science group:

Pam Ventola

Pam Ventola is Senior Science Director, Rare Disease and Pediatric Center of Excellence at Cogstate, where she provides pharmaceutical sponsors with strategic oversight and expert guidance throughout all stages of their study planning and execution – from endpoint selection, rater training and strategic monitoring to final statistical analysis. Dr. Ventola joins Cogstate from the Yale University School of Medicine, Child Study Center.

Chris Edgar

Chris Edgar is Senior Vice President, Clinical Science at Cogstate. He is an experienced leader in cognitive assessment and clinical endpoint strategy who provides expert guidance to Cogstate's pharmaceutical customers throughout all stages of trial conduct. Dr. Edgar is also a key advisor to Cogstate's commercial and product teams for the development of new technologies and approaches in line with industry needs. Dr. Edgar joins Cogstate from Roche where he oversaw clinical endpoint strategy for multiple neuroscience indications in the Patient-Centered Outcomes Research group.

Eric Siemers

Eris Siemers is Distinguished Medical Adviser at Cogstate. Dr. Siemers' experience in clinical trials of neurodegenerative disease spans over 25 years, with a research focus on the use of biomarkers in investigational drug research, the development of trial designs that fully characterise the effects of investigational drugs on chronic diseases, and more specifically, the development of strategies for treating individuals before the onset of symptoms of neurodegenerative diseases.

Dr. Siemers most recently served as Distinguished Medical Fellow for Eli Lilly and Company's Alzheimer's Disease Global Development Team, where he was responsible for the design and implementation of 5 large phase III clinical studies of AD sponsored by Lilly, in addition to playing a major collaborative role in 2 public-private partnership studies.



Establishment of Rare Disease and Pediatric Center of Excellence

During the 2018 financial year, Cogstate established a Rare Disease and Pediatric Center of Excellence to lead all activities related to the selection and administration of cognitive and behavioral outcome measures in rare disease and pediatric clinical trials. This new center of excellence provides pharmaceutical sponsors with industry-leading clinical and scientific expertise focused on the selection, adaptation, optimisation, validation and correct administration of cognitive and behavioral measures that address the unique challenges of clinical studies in rare disease and pediatric patient populations.

The group is led by Pam Ventola, PhD, who applies her scientific leadership experience in pediatric neuropsychology and specifically developmental and genetic disorders to drive the implementation of Cogstate's center of excellence, overseeing project teams and consultants with deep expertise in rare disease and pediatric trial design and execution.

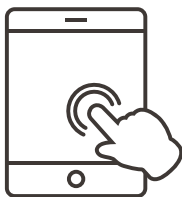


Launch of novel approach to rater training

Following design and pre-sales activities that took place in 2017, during the 2018 financial year, Cogstate launched its “Rater Academy” concept into clinical trials for the first time. The Rater Academy is a learning and certification program, designed for staff at clinical trial sites, that uses leading technologies and enriched eLearning methodologies to deliver time, cost and quality benefits to pharma/ biotech companies and reduced burden for the clinical trial site staff.

The Rater Academy provides:

- **Tailored certification plans:**
Experienced trial staff progress rapidly to certification, while those less experienced receive every learning tool they need for mastery
- **Leading-edge eLearning:**
Trial staff are engaged with multimodal training - all designed by experts to help them learn more effectively
- **Staff profiles:**
Advanced systems allow all trial staff profiles to be enriched, maintained and interrogated across studies for faster site initiation



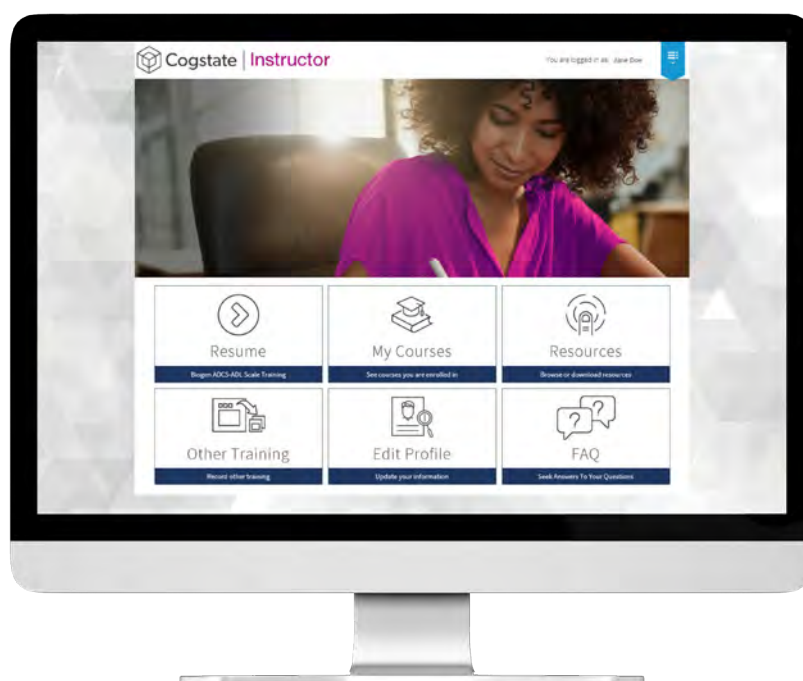
Development of new technology platform

During the 2018 financial year, Cogstate has been developing a new database platform infrastructure for use within the clinical trials segment. The new platform will replace a custom-built infrastructure that was launched in 2006. Following internal review, it was determined that the existing infrastructure was inefficient to maintain and did not provide necessary functionality for Cogstate's future commercial plans.

From the new platform, once completed, Cogstate will launch the various cognitive tests, process raw data and produce necessary reports. The platform will incorporate a commercial electronic data capture (EDC) system to store and manage both cognitive test outcomes as well as other clinical outcomes collected as part of Cogstate's current service offering.

The platform, once implemented commercially, is expected to provide operational efficiency through better and easier management and reporting of data. The platform will also provide Cogstate a more open and flexible system from which Cogstate will be able to incorporate other technologies and/or assessment modalities that, in the future, may be complimentary to Cogstate's commercial solutions.

During the year, we released a MVP (Minimal Viable Product) version of the new system, in a pilot setting. The pilot release went extremely smoothly. At present, and continuing over the coming months, additional functionality is being added to the new platform to enable full commercial release inside 12 months.



Chairman's Letter

To our shareholders,

Cogstate entered the 2018 financial year with two clear, but distinct, goals; to continue to grow and expand the clinical trials segment of the business and to launch Cogstate technology into general practice medicine via our Cognigram system. I am pleased to report that we have been successful on both fronts.

In the Clinical Trials segment, where Cogstate works with pharmaceutical and biotechnology companies to support clinical trials that seek to demonstrate the impact of novel therapeutics on cognition, Cogstate continued to advance the commercial evidence supporting our computerised assessments, not only in Alzheimer's disease but in a range of indications.

We were incredibly pleased to be able to launch our Rare Disease and Pediatric Center of Excellence, a growing area of focus for our pharma and biotech customers. It is estimated that 350 million people worldwide suffer from rare diseases—half being children—and 95% go untreated. An important part of bringing new medicines to market for these underserved populations is ensuring the endpoints in the trials are appropriate and that the tests themselves are consistently executed across the study. We're proud to formalise our long history of supporting pediatric and rare disease research with this center of excellence, and we are thrilled that an expert as accomplished as Dr. Ventola has joined us to lead these efforts.

In addition to the above developments, during the year Cogstate launched a differentiated rater training and monitoring solution to meet the quality assurance needs and growing market requirements of global clinical trials; the Cogstate Rater Academy. Integrating both proprietary and commercially available technologies, Cogstate brought together adult learning experts with clinical experts to develop a novel rater certification program that drives efficiencies in the identification, training, central monitoring and remediation of staff at clinical trials sites.

The enhanced solutions available to our customers allowed Cogstate to continue to grow clinical trials sales (up 22% on last year) and revenue (up 7.3% from last year).



Cogstate has also developed tools specifically designed to aid healthcare professionals with objective assessments of cognition in patients. The system, branded as Cognigram, allows for regular and standardised testing to assist in the early detection of cognitive decline that could be related to a range of factors including head injury, neurodegenerative disease or side effects following pharmacological treatments. There are additional applications in areas such as pre- and post- operative care—especially critical in vulnerable or aging populations—to help ensure a full recovery and reduce rates of hospital re-admittance. Informative and automated reports allow clinicians to easily track a patient's cognitive change over time, compare results to age-matched normative data, and understand performance on both specific cognitive domains and composite scores. Throughout the 2018 financial year, the Cognigram systems has been reviewed and cleared for commercial launch by regulators in the USA, EU, Canada and Australia. In its first full year of commercialisation, Cognigram generated US\$0.67 million of sales contracts, and generated US\$0.38 million of revenue for the year to 30 June 2018. Most Cognigram sales were license fees for a minimum of a year, with revenue recognised over the life of the contract.

In August 2018, we announced a change to our commercial strategy for Cognigram that will remove significant costs from the business.

Tight cost controls throughout the 2018 financial year have enabled Cogstate to record a small profit for the 2018 year. The strategic changes announced in August 2018 will improve earnings leverage in the 2019 financial year.

It is important that shareholders understand that your Board is focused on ensuring that Cogstate is well placed for short and longer term profit

growth. Throughout the 2018 financial year, we invested for the future via the development of a new technology platform. The new platform, once implemented, will both improve Cogstate's commercial offering as well as improve operational efficiency through better and easier management and reporting of data. The new technology platform is expected to be released commercially during the 2019 financial year.

During the 2018 financial year, one of your long-serving non-executive directors, David Simpson, retired from the Board of Cogstate. During his tenure on the board David made a strong contribution particularly with regard to sales, marketing and business development matters and was a member of both the audit and remuneration committees. For the entirety of his tenure, David was a Cogstate shareholder, and participated in many of the share issues during this period. David provided both sound business advice and long term financial support in helping the board pursue its goal of becoming a global leader in measuring cognition and the fight against neurodegenerative diseases.

As our attention turns to the 2019 financial year, the Board is united in our desire to deliver improved profitability in the 2019 and later financial years.

We believe that there are substantial growth opportunities associated with the Clinical Trials business and that our improved scientific and technology resources will keep Cogstate at the cutting edge of clinical trial design. In particular, the additional scientific resources, that have already been deployed to assist with Cogstate's business development efforts, are expected to generate an increase in new sales opportunities in the coming year. It is a testament to the scientific and industry standing of Cogstate that we have been able to attract such excellent talent into our company.

As stated previously, the change of commercial strategy in respect of Cognigram, combined with other cost reduction initiatives announced in August 2018, will improve the earnings leverage of Cogstate in the 2019 financial year.

Therefore, as we look forward, we are excited by the short- and long-term prospects for the Cogstate business. During the 2019 financial year, Cogstate will be deploying new scientific resources, new technology, and new solutions to both new and existing market opportunities.

As I said last year, the entire Cogstate team is guided by the common belief that brain health is profoundly important. Cogstate is at the forefront of transforming brain health assessment across both clinical research and clinical practice, and I continue to be incredibly proud of the world-class solutions provided by the Cogstate team.

I want to take the opportunity to thank everyone at Cogstate for their continued efforts, and I thank you, our shareholders, for your continued support.

For the Board of Directors,



Martyn Myer AO, Chairman

Summary of Financial Performance

	2018 US\$	Restated 2017 US\$
Clinical Trials		
Revenue	28,080,187	26,187,137
Cost of Sales	(8,909,315)	(8,636,366)
Gross Margin	19,170,872	17,550,771
SG&A	(3,626,539)	(3,171,244)
Pass through costs, net of recovery	-	36,859
Clinical Trials Contribution	15,544,333	14,416,386
Healthcare (incl Sport)		
Revenue	384,929	205,045
Cost of sales & SG&A	(494,608)	(844,605)
Other operating expenditure	(1,742,918)	(292,002)
Healthcare Contribution	(1,852,597)	(931,562)
R&D (incl. academic research studies, normative data studies & technology validation)		
Revenue	491,768	12,771
Cost of sales & SG&A	(30,447)	(68,407)
Other operating expenditure	(788,302)	(512,425)
R&D Contribution	(326,981)	(568,061)
Product Development and Quality Assurance	(4,010,610)	(4,133,870)
Less: capitalisation of software costs	2,377,905	-
Net Product Development & Quality Assurance	(1,632,705)	(4,133,870)
IT infrastructure	(1,662,058)	(1,184,634)
Share based payments (expense of employee options)	(953,003)	(721,724)
Office and Facilities	(1,144,918)	(814,449)
Other operating expenditure	(7,843,927)	(6,409,351)
Interest income	38,796	56,154
Net foreign exchange gains/(losses)	(60,723)	(370,334)
Other Expenditure (Net)	(11,625,833)	(9,444,338)
Net Profit/(Loss) before tax	106,217	(661,445)

Summary of other operating expenditure

	30 June 2018 US\$	Restated 30 June 2017 US\$
Employment expenses	(5,105,758)	(4,153,312)
Depreciation	(290,858)	(326,931)
Professional fees	(543,856)	(307,542)
Travel	(522,133)	(500,071)
Marketing	(330,927)	(379,711)
Insurance	(316,607)	(304,877)
ASX/Registry Costs	(209,309)	(80,120)
General Administration	(524,479)	(356,787)
Other operating expenditure	(7,843,927)	(6,409,351)

Clinical Trials Contracted Revenue

Clinical Trials revenue recognised during the year is a function of:

1. Revenue recognised from sales contracts on hand at the beginning of the financial year; and
2. Revenue recognised from sales contracts executed during the year.

For the year to 30 June 2018, Cogstate executed US\$36.1m of Clinical Trials sales contracts, a 22% increase on US\$29.6m sales contracts executed for the 2017 financial year.

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 2017, Cogstate had \$28.7 million of contracted revenue that would be recognised in future periods, up 15.1% on the amount of future revenue contracted at 1 July 2016. During the year to 30 June 2018, Cogstate signed \$36.1 million of new sales contracts, a 22% increase from the prior year. After recognising \$28.1 million of revenue from those contracts during the year, Cogstate had, at 30 June 2018, \$34.8 million of contracted revenue expected to be recognised in future periods. See table below for more analysis.

	2018 US\$	Restated 2017 US\$
Clinical Trials revenue contracted at 1 July	28,694,351	24,926,189
Contracts signed during this period	36,095,448	29,529,058
Revenue recognised	(28,080,187)	(26,187,137)
Adjustment for contracted study put on hold and other pass through revenue	(1,929,702)	426,241
Contracted future Clinical Trials and Precision Recruitment revenue at 30 June 2018	34,779,910	28,694,351

Healthcare Contracted Revenue

Cogstate entered into contracts for the license of Cognigram technology during the 2018 financial year. Mostly the license period was 12 months, although some contracts were for an extended period; the longest contract period being 6 years. License fee revenue is amortised over the life of the contract. In total, contracts to the value of \$676,970 were executed during the 2018 financial year. At 30 June 2018, contracted revenue that will be recognized in the 2019 and later financial years totaled \$257,334.

Prior Year Reporting

As previously reported, Cogstate moved to US\$ reporting as at 1 July 2017. This section provides conversion of the prior year disclosures into US\$.

In the Appendix 4E that was lodged with the ASX on 22 August 2017, Cogstate reporting the following detail in respect of contracted revenue at 30 June 2017 in A\$:

"Of the A\$37.5 million clinical trials contracted revenue at 30 June 2017, A\$18.94m is expected to be recognised by 30 June 2018, A\$8.69m is expected to be recognised in the 2019 financial year and A\$9.85m in the 2020-2025 financial years."

To allow for analysis and comparison, the above statement has been converted into US\$, as follows:

Of the US\$28.7million clinical trials contracted revenue at 30 June 2018, US\$14.57m is expected to be recognised by 30 June 2019, US\$6.68m is expected to be recognised in the 2019 financial year and US\$7.57m in the 2020-2025 financial years.

Impact of Contract Cancellations

As at 30 June 2018, the value of contracted future revenue had grown 21% to \$34.8 million, of which \$15.4 million was expected to be recognised by 30 June 2019, \$7.8 million was expected to be recognised in the 2020 financial year and \$11.5 million in the 2020-2025 financial years.

Since 1 July 2018 Cogstate has received notification of cancellation of four clinical trials, stemming from the failure of two distinct investigational compounds. Prior to the cancellations, Cogstate contracted future revenue was \$34.8 million. Total cancellations are expected to reduce the contracted future revenue by \$6.4 million, thereby reducing contracted future revenue at 30 June 2018 to \$28.4 million (30 June 2017 comparative \$28.7m).

Of the expected \$6.2 million of cancellations, approximately \$3.1 million was expected to be recorded as revenue during the 2019 financial year. Therefore, after taking into account the cancellations, contracted revenue for the 2019 financial year is \$13.8 million (30 June 2017 comparative \$14.6m).

Results - Expenses

1. Employment expenses

Full Time Equivalent (FTE) employees totalled 170 at 30 June 2018, broken down as follows:

Business Unit	FTE at 30 June 2018	FTE at 30 June 2017
Clinical Trials	78	75
Business Development	15	14
Healthcare	12	5
Research and Development	7	7
Product Development	38	40
Administration	20	19
Total	170	160

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.

Corporate Directory

Directors

Martyn Myer AO BE, MESC, MSM - *Chairman*

Brad O'Connor B Bus, CA - *Chief Executive Officer*

Richard van den Broek CFA - *Non-Executive Director*

David Dolby BSE, MBA - *Non-Executive Director*

Richard Mohs PhD - *Non-Executive Director*

Jane McAloon BEc (Hons), LLB, GDipGov, FAICD, FCIS
Non-Executive Director

Secretary

Claire Newstead-Sinclair BBus, CA

Principal registered office in Australia

Level 2, 255 Bourke Street
Melbourne Vic 3000 Australia

Share and debenture register

Link Market Services
Tower 4, Collins Square, 727 Collins Street
Melbourne Vic 3008

Auditor

Pitcher Partners
Level 13, 664 Collins Street, Docklands Vic 3000

Solicitors

Clayton Utz
333 Collins Street, Melbourne Vic 3000

Bankers

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



www.cogstate.com



Review of Operations and Activities

Principal activities and review of operations

Cogstate brings together science, innovation and operational excellence to optimise the measurement of cognition in clinical trials, academic research and healthcare. Through our enabling technologies and professional services, we provide quality assurance solutions for traditional neuropsychological tests and commercialise rapid, reliable and highly sensitive digital brain health assessments.

Cogstate customers include the world's leading biopharmaceutical companies; elite sporting organisations and military; physicians and patients; and renowned academic institutions and public-private partnerships.

Clinical Trials

Cogstate works with pharmaceutical and biotechnology companies to support clinical trials that seek to demonstrate a drug's impact on cognition. This includes the provision of highly sensitive computerised cognitive tests, as well as the management, training and monitoring to improve the reliability and sensitivity of traditional cognitive assessments. Our full-service solutions span the entire clinical trial lifecycle from study design to final statistical analysis. Recently expanded offerings include more flexible deployment models and modalities for computerised testing, as well as more efficient and effective rater training and monitoring solutions to meet the quality assurance needs of clinical trials.

Traditional cognitive, functional and behavioural assessments in clinical trials are inherently prone to variability, bias and human error, and when compounded by the global nature of large, late phase studies, these factors can detrimentally impact the quality and even outcome of a clinical trial. Services focused on rigorous training and monitoring of the individuals around the world who are responsible for administering the assessments (referred to as "raters") has long been the focus for ensuring conclusive studies; but this approach can be incredibly burdensome to raters and costly to the pharmaceutical company sponsoring the trial when not enabled by technologies or tailored to the experience and performance of the raters. To address these challenges and growing market requirements, Cogstate created the Cogstate Rater Academy. Cogstate brought together adult learning experts with clinical experts to develop a novel rater certification program that drives efficiencies in the identification, training, central monitoring and remediation of raters. While most rater training programs focus on in-person, lecture-based training, Rater Academy is designed for "eLearning first", with an emphasis on practice and demonstration of mastery. This approach allows expert raters to progress to certification rapidly, and delivers time, cost and quality advantages to clinical trial sponsors.

Academic Research

Cogstate has continued to support important international research studies and academic collaborations across various indications, including Alzheimer's disease, HIV, multiple sclerosis, paediatric and adult oncology, Parkinson's disease, epilepsy, and schizophrenia. To date, Cogstate has participated in over 1,200 academic research studies in more than 70 different indications, resulting in hundreds of peer reviewed publications. In Alzheimer's disease, Cogstate is at the forefront of leading prevention trials via its participation in key public private partnership studies such as the 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), the Alzheimer's Disease Neuroimaging Initiative (ADNI), and the Global Alzheimer's Platform (GAP Foundation) Trial ready cohort for pre-clinical-prodromal Alzheimer's disease.

Healthcare

Cogstate has developed tools specifically designed to aid healthcare professionals with objective assessments of cognition in patients. The system, branded as Cognigram™, allows for regular and standardised testing to assist in the early detection of cognitive decline that could be related to a range of factors including head injury, neurodegenerative disease or side effects following pharmacological treatments. There are additional applications in areas such as pre- and post-operative care-especially critical in vulnerable or aging populations-to help ensure a full recovery and reduce rates of hospital re-admittance. Informative and automated reports allow clinicians to easily track a patient's cognitive change over time, compare results to age-matched normative data, and understand performance on both specific cognitive domains and composite scores.

In the healthcare area of sports related concussion, while Cogstate technologies have been used for over a decade by a number of highly regarded institutions and sporting organisations worldwide to support their concussion management protocols, Cogstate has long believed that a substantial market exists in the U.S. hospital and primary care market. Recent investments in product enhancements and process development have enabled Cogstate to achieve regulatory clearance in USA, EU, Canada and Australia, allowing Cogstate to commence the marketing of Cognigram to health systems, hospitals, physician practices, elder care organisations, schools and sports teams in those geographical areas.





Group Overview

The Cogstate Group comprises Cogstate Ltd and six subsidiaries that are all directly or indirectly 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 Cogstate Healthcare LLC

Cogstate Health Inc (formerly Cogstate Sport Inc): Incorporated in 2010 and wholly owned by Cogstate Inc to make the investment in Cogstate Sport LLC

Cogstate Healthcare LLC (formerly Cogstate Sport LLC): The remaining 50% of Axon Sports LLC was acquired by Cogstate Healthcare LLC (formerly Cogstate Sport Inc) in August 2011, making it a wholly owned subsidiary of Cogstate Health Inc

Cogstate Sports Pty Ltd (formerly Axon Sports Pty Ltd): Incorporated in 2011 and wholly owned by Cogstate Ltd to sell the concussion management technology in Australia

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

Cogstate has 5 primary offices in the following locations:

- Melbourne, Australia (head office)
- New Haven, CT, USA (primary US-based location)
- New York, NY, USA
- Boston, MA, USA
- London, UK

Melbourne, AU

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Cogstate Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2018 and the auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The following persons held office as directors of Cogstate Limited during the financial year:

- Martyn Myer AO
- Brad O'Connor
- David Simpson (retired 25 October 2017)
- Richard van den Broek
- David Dolby
- Richard Mohs
- Jane McAloon

Information on directors

Martyn Myer AO

BE, MEng, MSM.
Chairman

Mr Myer is Chairman of Cogstate Limited. Mr Myer also chairs the Remuneration and Nomination Committee and sits on the Audit, Risk and Compliance Committee. Mr Myer was appointed to the Council of the University of Melbourne in February 2010 and in January 2018 as Deputy Chancellor. Mr Myer is President of The Myer Foundation, one of two principle Myer Family philanthropic funds.

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 obtained his Master of Science in Management at MIT in Boston, and his Master of Engineering Science at Monash University, Melbourne.

Mr Myer is also a director of Cogstate Inc., Cogstate Health Inc., Cogstate 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 on 1 December 2005, 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 Health Inc., Cogstate Canada Inc, Cogstate Sports Pty Ltd, Cogstate Healthcare LLC and Cogstate Spain SL.

Richard van den Broek

CFA
Non-Executive Director

Mr van den Broek is an independent non-executive Director. He sits on 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.

Information on directors (cont.)

David Dolby

BSE, MBA.

Non-Executive Director

Mr Dolby is a non-executive Director. He sits on 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 represents the Dolby Family Trust on a number of technology, scientific research, and consumer products investments focusing on innovation and commercialising intellectual property. David is founder and managing director of Dolby Family Ventures, a venture capital investment firm focused on technology and life sciences investments in neuro technology and therapeutics targeting Alzheimer's disease.

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 Dagmar 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 Kaleidescope, Inc, a company focused on high-performance music and movie server systems, and NetVMG, which developed route control software. Previously, David was an investment banking analyst focused on technology with Perseus Group (now GCA Savvian).

Richard Mohs

PhD.

Non-Executive Director

Dr Mohs is an independent non-executive Director. He sits on the Audit, Risk and Compliance Committee as well as the Remuneration and Nomination Committee.

Dr Mohs retired from Eli Lilly in 2015, where he held several leadership positions including Vice President for Neuroscience Early Clinical Development and Leader of the Global Alzheimer's Drug Development Team. Before joining Eli Lilly in 2002, Dr Mohs spent 23 years with the Mount Sinai School of Medicine in NY where he was Professor in the Department of Psychiatry and Associate Chief of Staff for Research at the Bronx Veterans Affairs Medical Centre.

Dr Mohs received a Ph.D. in psychology from Stanford University and completed postdoctoral training in pharmacology at the Stanford University Medical School. He is the author or co-author of over 350 scientific papers, including those describing clinical trials that lead to the approval, in the US and other countries, of cholinergic drug treatments for Alzheimer's disease.

Dr Mohs is currently Chief Scientific Officer for the Global Alzheimer's Platform (GAP) Foundation, a patient centered, non-profit organisation devoted to enhancing the speed and quality with which new treatments for Alzheimer's diseases are developed. Richard also serves as a consultant to academic institutions, foundations and biopharmaceutical companies, and is a member of the Board of Governors for Alzheimer's Drug Discovery Foundation.

Jane McAloon

BEC (Hons), LLB, GDipGov, FAICD, FCIS.

Non-Executive Director

Ms McAloon is an independent non-executive Director. She chairs the Audit, Risk and Compliance Committee and she also sits on the Remuneration and Nomination Committee.

Ms McAloon is currently a Non-Executive Director of Healthscope Ltd, Viva Energy, Energy Australia Pty Ltd and Port of Melbourne.

Until mid- 2015, Ms McAloon was part of the Group Management Committee of BHP Billiton as President, Governance and Group Company Secretary from 2013, having been Group Company Secretary from 2007.

Ms McAloon has a Bachelor of Economics (Hons) & Bachelor of Laws from Monash University and Graduate Diploma in Applied Corporate Governance. She is a fellow of the Australia Institute of Company Directors.

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 (now Arthur J. Gallagher), when it was part of the Wesfarmers Group. Claire is a Chartered Accountant and a member of the Governance Institute of Australia who holds a Bachelor of Business degree.

Cindy Tilley, BCom, CPA, was dual Company secretary until the 30th November 2017. Ms Tilley completed a Bachelor of Commerce at the Australian National University and is a member of Certified Practising Accountants (CPA) Australia and the Australian Institute of Company Directors (AICD). Cindy commenced her career as an undergraduate in business services before joining Lend Lease where she held various senior finance roles spanning 15 years and most recently as Group Financial Controller and Company Secretary for Probuild.

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	19,607,786	445,000
Mr Brad O'Connor	4,939,183	2,425,000
Mr Richard van den Broek	3,885,000	200,000
Mr David Dolby	19,776,389	200,000
Mr Richard Mohs	30,000	-
Ms Jane McAloon	53,000	-

Principal activities

The Group's principal continuing activity during the year was the sale of technology and services for the measurement of cognition, where services include scientific consultancy, project management, data management, statistical analysis and reporting. Principally Cogstate technology and associated services are utilised in three market segments; clinical trials, academic research and healthcare.

In the clinical trials segment, technology and services are 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. The technology and services encompass:

- computerised assessment of cognition as a study endpoint;
- computerised assessment of cognition as a screening tool (online or at a clinical trial site) when recruiting study participants with specific levels of cognitive impairment;
- expert advice in respect of clinical trial design; and
- expert management, training, scoring and monitoring of traditional assessments of cognition.

In an academic research setting, Cogstate provides access to many of the features of Cogstate Clinical Trials at a discounted price, reflecting the value that Cogstate places upon participating in ongoing academic studies and public-private partnerships because of the access to validating data, relationships and profile building provided by the inclusion of Cogstate technology in these studies.

In healthcare, Cogstate technology is used by healthcare professionals in clinical practice or a hospital environment to allow for regular and standardised testing of cognitive function to detect even subtle changes that could be important in the context of neurological disorders (including dementia), concussion or treatment with medication or other types of interventions.

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

Operating Results for the Year

For the year to 30 June 2018, Cogstate executed US\$36.1m of Clinical Trials sales contracts, a 22% increase on US\$29.6m sales contracts executed in the year to 30 June 2017. The Company recorded a Net Profit Before Tax \$0.1m.

Likely developments and expected results of operations

Cogstate revenue for the 2019 financial year will be impacted by the cancellation of a small number of contracted clinical trials in Alzheimer's disease on which the Company was working. The studies are being cancelled due to the failure of the investigational compounds in each study. The failure of the investigation compounds was completely independent of Cogstate's technology or services and Cogstate could not have changed the outcome nor could Cogstate have foreseen this outcome. The study cancellations have been announced, but formal reconciliation and cancellation of contracts will occur within the 2019 financial year. Notwithstanding that final reconciliation work is still ongoing, Cogstate has estimated the impact of the revenue cancellation.

Since April 2018, Cogstate has been working on the implementation of a strategic change and associated restructure that will remove substantial costs from the business, with a focus on delivery of earnings growth in the 2019 financial year.

Cogstate will alter its commercialisation strategy in respect of Cognigram. The Cognigram product, which has been cleared by regulators within the USA, EU, Canada and Australia, will remain available to existing and new customers with operational support absorbed within the broader business. However, most proactive sales and marketing activities will cease, thereby reducing expenditure significantly in the 2019 financial year. Cogstate will continue to seek commercial opportunities for Cognigram through distribution partners.

Other cost savings, in the form of staff reductions, across the Legal, Finance and Administrative groups have also been implemented, with associated cost reduction to impact the 2019 financial year.

The cancellation of clinical trial contracts has resulted in some excess capacity within the operational team that was delivering on those contracts. As a result, some cost savings have been implemented within that operational team. However, changes within that group have been limited as much as possible to ensure that Cogstate can continue to deliver on existing contracts and also to ensure that the necessary capacity exists to win and absorb new sales contracts through the 2019 financial year.

Cogstate enters the 2019 financial year with contracted future Clinical Trials revenue of US\$28.4m, after taking into account cancellations. Of that contracted revenue amount, US\$13.8m is expected to be recognised in the 2019 financial year. Cogstate expects to be able to continue to grow sales in the Clinical Trials segment and will seek to improve the profit contribution from that segment during the 2019 financial year.

Cogstate will continue development of its new technology platform, which is focused on the Clinical Trials segment. The new technology platform will allow Cogstate to broaden its offering in the Clinical Trials market, thereby increasing market opportunity in that market.

Continued sales growth in the Clinical Trials business, combined with cost reduction efforts across the business, will enable Cogstate to focus on profit growth.

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 (2017: US\$nil).

Significant changes in the state of affairs

As previously advised to the market and consistent with AASB 121 "The effects of change in foreign exchange rates", Cogstate Limited and its subsidiaries changed their functional and presentation currencies to the US dollar effective 1 July 2017. The change in reporting currency is to most transparently represent the economic effects of the underlying transactions, events and conditions that are relevant to the Group. Prior to 1 July 2017, the Group reported its annual and half year consolidated statement of financial position and the related consolidated statements of operations and cashflows in the Australian dollar. In making this change in functional and presentation currency, the Group followed the requirements of AASB 121 "The effects of change in foreign exchange rates". In accordance with AASB 121, the financial statements for all years and periods presented have been translated into the new presentation currency. Under this method, the statements of comprehensive income and cash flow statement items for each year and period have been translated into the presentation currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the reporting dates. Shareholders' equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions.

From 1 July 2017 forward there will be no amounts taken to the Foreign Currency Translation Reserve (FCTR), given that from this point the functional currency equals the presentation currency.

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

Matters subsequent to the end of the financial year

After the end of the 2018 financial year, Cogstate received notification of the cancellation of a small number of contracted clinical trials in Alzheimer's disease on which the Group was working. The study cancellations have been announced, but formal reconciliation and cancellation of contracts will occur within the 2019 financial year. The cancellations will impact revenue through financial years 2019 - 2023.

As stated above, since April 2018, Cogstate has been working on a restructure that will result in substantial cost savings. The most significant cost saving being the cessation of direct sales and marketing activities for Cognigram. Existing and new Cognigram customers will continue to be supported but direct sales and marketing activities will cease, with a corresponding termination of relevant roles within the Group. Cogstate will continue to seek commercial opportunities for Cognigram through distribution partners. Other cost savings have also been enacted, but these are not expected to impact delivery of products and services to continuing operations.

No other matter or circumstance has arisen since 30 June 2018 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.

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 2018, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
	Attended	Eligible to attend	Audit, Risk & Compliance		Remuneration & Nomination	
			Attended	Eligible to attend	Attended	Eligible to attend
Martyn Myer AO	13	13	4	4	1	1
Brad O'Connor	13	13	-	-	-	-
David Simpson*	5	5	1	1	-	-
Richard van den Broek	13	13	-	-	1	1
David Dolby	11	13	-	-	1	1
Jane McAloon	12	13	4	4	1	1
Richard Mohs	13	13	3	4	1	1

*David Simpson retired on 25 October 2017.

Audit, Risk & Compliance

Jane McAloon (c), Martyn Myer AO, David Simpson (retired 25 October 2017), Richard Mohs

Remuneration & Nomination

Martyn Myer AO (c), David Simpson (retired 25 October 2017), Richard Van den Broek, David Dolby, Richard Mohs, Jane McAloon

Unissued shares

As at the date of this report, there were 13,751,250 unissued ordinary shares under employee options. Refer to the remuneration report and Note 27 of the financial report for further details of the employee options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued on the exercise of options

The following ordinary shares of Cogstate Limited were issued during the year ended 30 June 2018 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
7-Sep-17	\$0.10	100,000
7-Sep-17	\$0.36	50,000
11-Sep-17	\$0.27	16,667
12-Sep-17	\$0.17	250,000
11-Oct-17	\$0.27	16,667
06-Nov-17	\$0.26	50,000
20-Nov-17	\$0.84	100,000
02-Mar-18	\$0.21	100,000
		683,333

Insurance of officers

During the financial year, the Company 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, risk and compliance 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, risk and compliance 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	
	2018 US\$	Restated 2017 US\$
Taxation services		
Pitcher Partners firm (Melbourne):		
Tax compliance services	13,940	70,911
Total remuneration for taxation services	13,940	70,911
Other services		
Network firms of Pitcher Partners	34,831	69,578
Total remuneration for non-audit services	48,771	140,489

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 31.



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

In relation to the independent audit for the year ended 30 June 2018, 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 APES 110 *Code of Ethics for Professional Accountants*.

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

A handwritten signature in black ink, appearing to read 'S. Schonberg'.

S SCHONBERG
Partner

10 August 2018

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

PITCHER PARTNERS
Melbourne

Audited Remuneration Report

The directors present the Cogstate Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

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 four 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	
Martyn Myer AO	Chairman
Brad O'Connor	Chief Executive Officer
David Simpson	Non-Executive Director (retired 25 October 2017)
Richard van den Broek	Non-Executive Director
David Dolby	Non-Executive Director
Richard Mohs	Non-Executive Director
Jane McAloon	Non-Executive Director
Other key management personnel	
Prof Paul Maruff	Chief Science Officer
George Hunnewell	Chief Operation Officer and President Clinical Trials (until 27 April 2018)
Lammert Albers	Chief Commercial Officer
Frank Cheng	President Healthcare

Remuneration principles

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

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

- Align remuneration with the Company's commercial strategy;
- Provide competitive rewards to attract high quality executives, benchmarked against the market and practices in the relevant geographic location;
- Ensure that there is a strong link between individual performance and rewards with company performance;
- Align the interests of executives and shareholders with long term incentives designed to align executive motivation with creation of long term shareholder value.

Role of the remuneration and nomination committee

The Remuneration and Nomination Committee of the Board of Directors of the Company is responsible for making recommendations to the Board on the remuneration arrangements for the CEO, the executive team and the non-executive directors.

The Remuneration and Nomination 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 executive team and Board.

Voting and comments made at the Company's 2017 Annual General Meeting

Cogstate Limited received more than 99% of "yes" votes on its remuneration report for the 2017 financial year.

Remuneration structure

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

Executive remuneration policy and framework

Objective

The objective of the remuneration policy is to design and implement a remuneration framework to meet the remuneration principles outlined above.

The principles that underpin the remuneration policy for the executives are the same as those that apply to other employees. The CEO's arrangements have a greater emphasis on a higher proportion of remuneration in performance related pay. The performance measures used to determine short term incentives for the CEO and all employees are linked to the delivery of strategy consistent with Cogstate's purpose.

Components of Remuneration

The Remuneration and Nomination Committee believes that the appropriate remuneration framework for the Cogstate KMPs is comprised of fixed and variable elements. The fixed component comprises base salary and pension / superannuation, in line with relevant statutory provisions. The variable component is comprised of short and long term incentives. In setting remuneration, the Committee takes into account reports and advice detailing market levels of remuneration for comparable roles.

Remuneration is benchmarked and determined in the home jurisdiction of the executive. The CEO's remuneration is benchmarked in the USA. The Remuneration and Nomination Committee believes the most appropriate comparator market for most executives is the USA; where the Group currently earns the majority of its revenue and conducts the majority of its business.

The following table shows the components of total remuneration.

Remuneration components	Operation
Base salary Competitive base salary is paid to attract and retain executives.	Base salary is broadly aligned with salaries for comparable roles in other companies. It reflects the executive's role, responsibilities, location, skills, performance, experience and qualifications. Base salary is reviewed annually and informed by a review of company-wide and individual performance relevant comparative remuneration from external sources (including industry data) and relevant comparison between roles within the Company. Base salary is not subject to separate performance conditions.
Pension/superannuation Post employment benefits to attract/retain executives.	Pension/superannuation contributions are paid in accordance with local jurisdictional requirements.
Benefits	Benefits are paid in accordance with local standards.
STI The objective of the STI is to link achievement of the company's strategic priorities and operational targets with the remuneration received by executives. Performance measures each year are chosen on the basis that they are expected to have a significant short and long term impact on the company's success.	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 (KPI's) 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 2018 financial year, the STI payments were 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.
LTI 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.	LTI grants to executives are delivered in the form of options consistent with the Company's Employee Share Option Plan. Options are awarded to executives according to the seniority of the role, market expectations for similar roles and previous LTI grants to that employee (where applicable). LTI grants are not made each year, but are made as considered appropriate to attract new executives as well as provide both incentive and retention for existing executives.

Employment contracts

Chief Executive Officer

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

- Mr O'Connor receives fixed remuneration and may be eligible for short term cash incentives based on specified financial results for the Company.
- Either party may terminate the contract by providing twelve months written notice.
- Upon termination, any Employee Share Options that are vested may be exercised by Mr O'Connor within a 30 day period. Any options that are unvested, or any vested options not exercised within 30 days of termination of the employment contract, will be forfeited.
- 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 30-275 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.

Performance of Cogstate Limited

The CEO and KMP performed strongly in meeting other financial and non financial individual metrics including technology development, development of regulatory and commercial strategy for Cogstate technology outside clinical trials, expansion of the management team, management of critical third party arrangements that allowed Cogstate to successfully bid for new projects and significant awards by key customers – all of which positions Cogstate for future growth. As a result, executives were rewarded accordingly.

Remuneration outcomes for CEO

Performance measures	Assessment
Base Salary	The base salary was reviewed during the year on the basis of industry and internal benchmarking. The currency in which salary is benchmarked was changed to US\$ reflecting the market in which the company predominantly operates. This is consistent with the majority of KMP who are US based and remunerated in US\$. Base salary was increased by 10% from FY17.
Superannuation / Pension / Benefits	Unchanged from the previous year.
STI	The FY18 STI was comprised of three separate components; company wide profit targets, company strategic priorities and personal goals. Each of the components was equal to one third of the maximum bonus of \$360,000. The Remuneration and Nomination Committee reviewed performance against all metrics and recommended to the Board that 58% of the maximum bonus of \$360,000 was achieved. Company profit targets were not achieved and the profitability bonus was not paid. Company strategic priorities were fully achieved. Personal goals are additional company wide performance metrics that enable and drive company performance that are led by the CEO. In FY18 these included the new business award targets, Cognigram commercialisation following FDA approval, technology and product development as well as science leadership. These metrics were partially achieved.
LTI	No awards of LTI were made in FY18. To remain market competitive and reflecting the performance of the CEO and continued alignment of interests with shareholders, the Board will recommend to shareholders at the 2018 Annual General Meeting that the CEO be awarded 1,000,000 employee options under the existing ESOP plan with a strike price equal to the market price at the AGM and subject to meeting agreed performance targets.

Performance of Cogstate Limited (cont.)**Relationship between remuneration and Cogstate Limited's performance**

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

Consolidated	2018	2017	2016	2015	2014
Profit/(loss) for the year attributable to owners of Cogstate Ltd (US\$'000)	(566)	(643)	1,921	(4,243)	(3,535)
Basic earnings/(loss) per share (cents)	(0.5)	(0.6)	1.7	(4.2)	(3.8)
Dividend payments (cents)	0	0	0	0	0
Dividend payout ratio (%)	0	0	0	0	0
Increase/(decrease) in share price (cents)	(0.38)	0.36	0.57	(0.09)	(0.06)
Increase/(decrease) in share price (%)	(33.3%)	46.2%	271.4%	(30.0%)	(16.7%)
Total KMP Incentives as percentage of profit/(loss) for the year (%)	(130.2%)	(94.3%)	39.8%	(15.9%)	(3.1%)

The above table illustrates the link between Cogstate Limited's (loss)/profit after tax and payments made under the STI plan. The relationship between the two will differ from year to year, since STI awards are made on an assessment of both financial and non-financial criteria.

Details of remuneration

2018 Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits US\$	Share- based payments	Total US\$
	Cash salary and fees US\$	Cash bonus* US\$	Non- monetary benefits US\$	Superannuation US\$	Long service leave US\$		Options US\$	
Non-executive directors								
M Myer	78,051	-	-	7,415	-	-	36,926	122,392
D Simpson**	-	-	-	19,617	-	-	-	19,617
R van den Broek	57,949	-	-	-	-	-	19,236	77,185
D Dolby	57,949	-	-	-	-	-	20,782	78,731
R Mohs	57,833	-	-	-	-	-	-	57,833
J McAloon	60,311	-	-	5,730	-	-	-	66,041
Sub-total non-executive directors	312,093	-	-	32,762	-	-	76,944	421,799
Executive director								
B O'Connor	338,005	207,320	28,894	15,571	21,183	-	172,358	783,331
Other key management personnel (Group)								
P Maruff#	283,945	124,368	15,593	15,576	4,306	-	40,434	484,222
G Hunnewell***	297,489	-	-	11,184	-	169,125	-	477,798
F Cheng	329,423	89,100	-	8,550	-	-	236,000	663,073
L Albers	344,857	316,060^	-	9,932	-	-	71,627	742,476
Total key management personnel compensation (Group)	1,905,812	736,848	44,487	93,575	25,489	169,125	597,363	3,572,699

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

**D Simpson retired on 25 October 2017.

***G Hunnewell ceased employment effective 27 April 2018.

^This is not a cash bonus, but rather a commission payment based upon actual sales contracts executed.

Employee was paid in \$AU and payment was converted to US\$ at spot rate at the time of the payment.

Performance of Cogstate Limited (cont.)**Details of remuneration (cont.)**

Restated 2017 Name	Short-term employee benefits			Post- employment benefits	Long-term benefits	Termination benefits US\$	Share- based payments	Total US\$
	Cash salary and fees US\$	Cash bonus* US\$	Non- monetary benefits US\$	Superannuation US\$	Long service leave US\$		Options US\$	
Non-executive directors								
M Myer	68,938	-	-	6,549	-		26,787	102,274
D Simpson**	18,872	-	-	26,421	-		14,713	60,006
R van den Broek	45,440	-	-	-	-		14,713	60,153
D Dolby	45,440	-	-	-	-		16,344	61,784
R Mohs	27,866	-	-	-	-		-	27,866
J McAloon	25,821	-	-	2,453	-		-	28,274
Sub-total non-executive directors	232,377	-	-	35,423	-		72,557	340,357
Executive director								
B O'Connor	290,795	106,890	25,419	14,807	15,514		151,590	605,015
Other key management personnel (Group)								
P Maruff#	264,225	57,343	15,388	14,807	244		39,167	391,174
G Hunnewell***	196,731	66,636	-	4,980	-		58,403	326,750
F Cheng	178,846	60,578	-	4,500	-		106,983	350,907
L Albers	334,769	294,651^	-	18,000	-		65,357	712,777
C Gravina	110,976	-	-	-	-	166,154	11,902	289,032
Total key management personnel compensation (Group)	1,608,719	586,098	40,807	92,517	15,758	166,154	505,959	3,016,012

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

**D Simpson retired on 25 October 2017.

***G Hunnewell ceased employment effective 27 April 2018.

^This is not a cash bonus, but rather a commission payment based upon actual sales contracts executed.

Employee was paid in \$AU and payment was converted to US\$ at spot rate at the time of the payment.

Performance of Cogstate Limited (cont.)**Details of remuneration (cont.)**

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

Consolidated	STI		LTI*	
	2018	2017	2018	2017
Non-Executive Directors of Cogstate Limited				
Martyn Myer	0.00%	0.00%	30.17%	26.19%
David Simpson**	0.00%	0.00%	0.00%	24.52%
Richard Van Den Broek	0.00%	0.00%	24.92%	24.46%
David Dolby	0.00%	0.00%	26.40%	26.45%
Richard Mohs	0.00%	0.00%	0.00%	0.00%
Jane McAloon	0.00%	0.00%	0.00%	0.00%
Brad O'Connor	26.47%	17.67%	22.21%	25.06%
Key Management				
Paul Maruff	29.49%	14.66%	7.92%	10.01%
George Hunnewell***	35.40%	20.39%	0.00%	17.87%
Frank Cheng	13.44%	17.26%	35.59%	30.49%
Lammert Albers****	42.57%	41.34%	9.65%	9.17%
Craig Gravina*****	0.00%	0.00%	0.00%	4.12%

*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.

**David Simpson retired effective 25 October 2017

***George Hunnewell ceased employment effective 27 April 2018

****Cash bonus is based on sales commissions

*****Craig Gravina resigned effective 23 September 2016

Share-based compensation

Remuneration Options: Granted and Vested During the Year

During the current financial year, no options were granted as equity compensation benefits to key management personnel. Options are 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.

The Board has the option to impose additional vesting criteria, in the form of performance hurdles that must be met before an option will vest.

The LTI issued in respect of each of President Healthcare is subject to additional performance based vesting criteria designed to ensure alignment of reward with performance in the role. These performance criteria relate to top line sales growth and achievement of commercial goals.

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 relative to the prevailing market price of Cogstate shares as at the date of the issue. Usually options are issued with an exercise price above the prevailing market price.

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 Non-Executive Directors, Executive Directors and 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 US\$	Final Vesting Date	First Exercise Date	Last Exercise Date	Value of options granted during the year US\$	Value of options exercised during the year US\$*	Value of options lapsed during the year US\$	Amount paid for options exercised#
Non- Executive Directors of Cogstate Limited												
M Myer	-	-	-	-	-	-	-	-	-	-	-	-
D Simpson**	-	-	-	-	-	-	-	-	-	34,150	-	73,262
R van den Broek	-	-	-	-	-	-	-	-	-	-	-	-
D Dolby	-	-	-	-	-	-	-	-	-	-	-	-
R Mohs	-	-	-	-	-	-	-	-	-	-	-	-
J McAloon	-	-	-	-	-	-	-	-	-	-	-	-
Executive Directors of Cogstate Limited												
B O'Connor	-	-	-	-	-	-	-	-	-	-	-	-
Key Management Personnel												
P Maruff	-	-	-	-	-	-	-	-	-	187,836	-	33,970
G Hunnewell***	-	-	-	-	-	-	-	-	-	-	(371,969)	-
F Cheng	-	-	-	-	-	-	-	-	-	-	-	-
L Albers	-	-	-	-	-	-	-	-	-	-	-	-

*The value of options (at the exercise date) granted as part of remuneration that were exercised during the year has been determined as the intrinsic value of the options at that date (being the difference between the exercise price and the underlying share price at date of exercise).

**David Simpson retired effective 25 October 2017.

***George Hunnewell ceased employment effective 27 April 2018.

#No amounts remain unpaid on options exercised during the year.

Share-based compensation (cont.)**(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 2018 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	445,000	-	-	-	445,000	211,667	233,333
D Simpson*	150,000	-	(150,000)	-	-	-	-
R van den Broek	200,000	-	-	-	200,000	66,667	133,333
B O'Connor	2,425,000	-	-	-	2,425,000	633,333	1,791,667
D Dolby	200,000	-	-	-	200,000	33,333	166,667
Total	3,420,000	-	(150,000)	-	3,270,000	945,000	2,325,000
Other key management personnel of the Group							
P Maruff	2,460,000	-	(250,000)	-	2,210,000	1,960,000	250,000
G Hunnewell**	1,700,000	-	-	(1,700,000)	-	-	-
F Cheng	1,680,000	-	-	-	1,680,000	-	1,680,000
L Albers	1,500,000	-	-	-	1,500,000	1,000,000	500,000
Total	7,340,000	-	(250,000)	(1,700,000)	5,390,000	2,960,000	2,430,000

*D Simpson retired on 25 October 2017.

**George Hunnewell ceased employment effective 27 April 2018.

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

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.

A related party of Brad O'Connor is employed by Cogstate Ltd. Remuneration and terms of this employment are made on a normal arm's length basis.

A related party of Martyn Myer is employed by Cogstate Inc. Remuneration and terms of this employment are made on a normal arm's length basis.

Share-based compensation (cont.)**(a) Equity instrument disclosures relating to key management personnel (cont.)**

Consolidated Restated 2017 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	345,000	200,000	(100,000)	-	445,000	195,000	250,000
D Simpson*	100,000	100,000	(50,000)	-	150,000	-	150,000
R van den Broek	150,000	100,000	(50,000)	-	200,000	50,000	150,000
B O'Connor	1,425,000	1,025,000	(25,000)	-	2,425,000	250,000	2,175,000
D Dolby	100,000	100,000	-	-	200,000	-	200,000
Total	2,120,000	1,525,000	(225,000)	-	3,420,000	495,000	2,925,000
Other key management personnel of the Group							
P Maruff	2,460,000	250,000	(250,000)	-	2,460,000	1,610,000	850,000
G Hunnewell**	-	1,700,000	-	-	1,700,000	-	1,700,000
F Cheng	-	1,680,000	-	-	1,680,000	-	1,680,000
L Albers	1,000,000	500,000	-	-	1,500,000	333,333	1,166,667
C Gravina	1,000,000	-	(583,333)	(416,667)	-	-	-
Total	4,460,000	4,130,000	(833,333)	(416,667)	7,340,000	1,943,000	5,396,667

*D Simpson retired on 25 October 2017.

**George Hunnewell ceased employment effective 27 April 2018.

(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 2018 Name	Balance at the start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at end of the year
Directors of Cogstate Limited					
Ordinary shares					
M Myer	19,607,786	-	-	-	19,607,786
D Simpson*	1,263,689	-	-	107,000	1,370,689
R van den Broek	3,885,000	-	-	-	3,885,000
D Dolby	19,776,389	-	-	-	19,776,389
R Mohs	20,000	-	-	10,000	30,000
J McAloon	27,820	-	-	25,180	53,000
B O'Connor	4,939,183	-	-	-	4,939,183
Other key management personnel of the Group					
P Maruff	250,000	-	-	250,000	500,000

*D Simpson retired on 25 October 2017.

Share-based compensation (cont.)**(a) Equity instrument disclosures relating to key management personnel (cont.)****(ii) Share holdings (cont.)**

Consolidated Restated 2017 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	19,507,786	100,000	-	19,607,786
D Simpson*	1,213,689	50,000	-	1,263,689
R van den Broek	3,835,000	50,000	-	3,885,000
D Dolby	19,776,389	-	-	19,776,389
R Mohs	-	-	20,000	20,000
J McAloon	-	-	27,820	27,820
B O'Connor	4,914,183	25,000	-	4,939,183
Other key management personnel of the Group				
P Maruff	-	250,000	-	250,000

*D Simpson retired on 25 October 2017.

End of audited remuneration report.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial statements have been rounded to the nearest dollar.

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



Martyn Myer AO, Chairman
Melbourne, 10 August 2018

Contents

43

Consolidated statement of profit or loss and other comprehensive income

44

Consolidated statement of financial position

45

Consolidated statement of changes in equity

46

Consolidated statement of cash flows

47

Notes to the Consolidated Financial Statements

77

Directors' Declaration

78

Independent Auditor's Report to the Members



Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

			Consolidated
	Notes	2018 US\$	Restated 2017 US\$
Operations			
Revenue	5	28,956,884	26,404,953
Finance income	5	38,796	56,154
Total Revenue		28,995,680	26,461,107
Cost of sales	6	(13,060,907)	(12,720,622)
Gross Profit		15,934,773	13,740,485
Other income	7	19,215	70,513
Employee benefits expense	8	(9,789,492)	(9,453,825)
Depreciation	9	(290,858)	(326,931)
Occupancy		(1,178,903)	(814,449)
Marketing		(445,377)	(583,199)
Professional fees		(698,179)	(388,831)
General Administration		(2,508,898)	(1,776,150)
Net foreign exchange gain/(loss)		(60,723)	(370,334)
Travel expenses		(796,673)	(694,048)
Finance expenses		(74,482)	(58,644)
Other		(4,186)	(6,032)
Profit / (Loss) before income tax		106,217	(661,445)
Income tax (expense)/benefit	10	(672,135)	18,106
Profit / (Loss) from continuing operations		(565,918)	(643,339)
Profit / (Loss) for the year		(565,918)	(643,339)
Total comprehensive loss for the year		(565,918)	(643,339)
Profit/(loss) is attributable to:			
Owners of Cogstate Limited		(565,918)	(643,339)
Total comprehensive income / (loss) for the year is attributable to:			
Owners of Cogstate Limited		(565,918)	(643,339)
Total comprehensive income / (loss) for the year attributable to owners of Cogstate Limited arises from:			
Continuing operations		(565,918)	(643,339)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.5)	(0.6)
Diluted loss per share		(0.5)	(0.6)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.5)	(0.6)
Diluted loss per share		(0.5)	(0.6)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying Notes.

Consolidated statement of financial position

As at 30 June 2018

			Consolidated
	Notes	2018 US\$	Restated 2017 US\$
ASSETS			
Current assets			
Cash and cash equivalents	14	4,366,304	7,157,027
Trade and other receivables	15	6,336,396	3,890,282
Other current assets	16	1,842,245	923,409
Total current assets		12,544,945	11,970,718
Non-current assets			
Property, plant and equipment	17	1,429,778	1,610,290
Intangible assets	18	2,693,172	308,898
Deferred tax assets	11	2,123,810	2,884,932
Total non-current assets		6,246,760	4,804,120
Total assets		18,791,705	16,774,838
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	19	4,824,818	3,546,995
Provisions	20	1,923,792	1,610,465
Total current liabilities		6,748,610	5,157,460
Non-current liabilities			
Deferred tax liabilities	12	282,614	475,633
Provisions	20	75,812	59,421
Total non-current liabilities		358,426	535,054
Total liabilities		7,107,036	5,692,514
Net assets		11,684,669	11,082,324
EQUITY			
Contributed equity	21	24,163,398	23,915,433
Other reserves	22	(793,779)	(1,714,077)
Retained earnings		(11,684,950)	(11,119,032)
Capital and reserves attributable to owners of Cogstate Limited		11,684,669	11,082,324
Total equity		11,684,669	11,082,324

The above consolidated statement of financial position should be read in conjunction with the accompanying Notes.

Consolidated statement of changes in equity

For the year ended 30 June 2018

Consolidated	Notes	Attributable to owners of Cogstate Limited				Total equity US\$
		Contributed equity US\$	Share based payments reserve US\$	Foreign currency translation reserve US\$	Retained earnings US\$	
Restated balance at 1 July 2016		23,269,918	605,947	(3,150,750)	(10,475,693)	10,249,422
Loss for the year as reported in the 2017 financial statements		-	-	-	(643,339)	(643,339)
Total comprehensive income for the year		-	-	-	(643,339)	(643,339)
Transactions with owners in their capacity as owners:						
Exchange differences on translations of functional and presentation currency		-	191,709	205,951	-	397,660
Transfer to share capital on exercise of options	22	288,658	(288,658)	-	-	-
Exercise of options	21(b)	356,857	-	-	-	356,857
Cost of share- based payment	22	-	721,724	-	-	721,724
		645,515	624,775	205,951	-	1,476,241
Restated balance at 30 June 2017		23,915,433	1,230,722	(2,944,799)	(11,119,032)	11,082,324
Balance at 1 July 2017		23,915,433	1,230,722	(2,944,799)	(11,119,032)	11,082,324
Loss for the year as reported in the 2018 financial statements		-	-	-	(565,918)	(565,918)
Total comprehensive income for the year		-	-	-	(565,918)	(565,918)
Transactions with owners in their capacity as owners:						
Exchange differences on translations of functional and presentation currency		-	61,627	-	-	61,627
Transfer to share capital on exercise of options	22	94,332	(94,332)	-	-	-
Exercise of options	21(b)	153,633	-	-	-	153,633
Cost of share- based payment	22	-	953,003	-	-	953,003
		247,965	920,298	-	-	1,168,263
Balance at 30 June 2018		24,163,398	2,151,020	(2,944,799)	(11,684,950)	11,684,669

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 2018

			Consolidated
	Notes	2018 US\$	Restated 2017 US\$
Cash flows from operating activities			
Receipts from customers		30,450,593	29,434,848
Payments to suppliers and employees		(30,572,592)	(27,045,670)
Net cash (outflow)/inflow from operating activities	24	(121,999)	2,389,178
Cash flows from investing activities			
Payments for property, plant and equipment		(481,096)	(1,101,395)
Payment for capitalised software development labour costs		(2,384,274)	-
Interest received		43,014	56,154
Net cash (outflow) from investing activities		(2,822,356)	(1,045,241)
Cash flows from financing activities			
Proceeds from issues of shares	21	153,632	356,857
Net cash inflow from financing activities		153,632	356,857
Net (decrease)/increase in cash and cash equivalents		(2,790,723)	1,700,794
Cash and cash equivalents at the beginning of the financial year		7,157,027	5,456,233
Cash and cash equivalents at end of year	14	4,366,304	7,157,027

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

Notes to the Consolidated Financial Statements

Contents of the Notes to the consolidated financial statements

48

1 Summary of significant accounting policies

57

3 Critical accounting estimates and judgements

60

5 Revenue

6 Cost of sales

7 Other income

62

11 Non-current assets - Deferred tax assets

12 Non-current liabilities - Deferred tax liabilities

64

14 Current assets - Cash and cash equivalents

15 Current assets - Trade and other receivables

66

18 Non-current assets - Intangible assets

69

22 Other reserves

71

25 Related party transactions

26 Key management personnel disclosures

75

28 Commitments and Contingencies

29 Events occurring after the reporting period

55

2 Financial risk management

58

4 Segment information

61

8 Employee benefit expense

9 Depreciation

10 Income tax expense

63

13 Earnings per share

65

16 Current assets - Other current assets

17 Non-current assets - Property, plant and equipment

68

19 Current liabilities - Trade payables and other liabilities

20 Current liabilities - Provisions

21 Contributed equity

70

23 Parent entity financial information

24 Reconciliation of loss after income tax to net cash inflow from operating activities

72

27 Share-based payments

76

30 Remuneration of auditors

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 Group 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 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 2017 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 2017.

(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 Group, 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.

(c) Foreign currency translation

(i) Functional and presentation currency

As previously advised to the market and consistent with AASB 121 "The effects of change in foreign exchange rates", Cogstate Limited and its subsidiaries changed their functional and presentation currencies to the US dollar effective 1 July 2017. The change in reporting currency is to most transparently represent the economic effects of the underlying transactions, events and conditions that are relevant to the Group. Prior to 1 July 2017, the Group reported its annual and half year consolidated statement of financial position and the related consolidated statements of operations and cashflows in the Australian dollar. In making this change in functional and presentation currency, the Group followed the requirements of AASB 121 "The effects of change in foreign exchange rates". In accordance with AASB 121, the financial statements for all years and periods presented have been translated into the new presentation currency. Under this method, the statements of comprehensive income and cash flow statement items for each year and period have been translated into the presentation currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the reporting dates. Shareholders' equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions.

From 1 July 2017 forward there will be no amounts taken to the Foreign Currency Translation Reserve (FCTR), given that from this point the functional currency equals the presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

1 Summary of significant accounting policies (cont.)

(d) 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) License Fees

Revenue is recognised when the significant risks and rewards of access to the licensed software 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 license key to the customer. At this point, no right to a refund exists.

Sales commissions payable in relation to sales contracts 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 revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amounts of goods and services tax (GST).

(e) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. 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 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.

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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) 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.

(g) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets that have an indefinite useful life are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use. Refer to Note 18 for a description of how management determines value in use.

1 Summary of significant accounting policies (cont.)

(g) Impairment of non-financial assets (cont.)

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(h) 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.

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.

(i) Financial Instruments

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(j) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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 1 - 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.

(k) 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 are not amortised but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Intangible assets are carried at cost less accumulated impairment losses.

1 Summary of significant accounting policies (cont.)

(k) Intangible assets (cont.)

(ii) Research and development

Expenditure on research activities is recognised as an expense as 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.

(l) 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.

(m) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liabilities are settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For

currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

(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. Previously non-executive directors, with the approval of shareholders, have been issued equity in the form of options under the non-executive director option plan, but this practice has ceased.
- 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, the Board has the option to impose additional vesting criteria, in the form of performance hurdles that must be met before an option will vest; as well as 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

- the grant date fair value of the award;
- 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 non-market performance conditions being met and
- the expired portion of the vesting period.

1 Summary of significant accounting policies (cont.)

(m) Employee benefits (cont.)

(iii) Share-based payments (cont.)

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 13).

(n) 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented on a gross basis except for the GST component of investing or financing activities which are presented as operating cash flows.

(o) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(p) Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial statements have been rounded to the nearest dollar.

(q) Going Concern Assumption

The 2018 financial statements have been prepared on a going concern basis. The going concern assumption continues to apply to the Group as at 30 June 2018 despite the current year loss after tax result. This is based on the Group continuing to be in a positive net asset position, having no external debt and continuing to carry significant cash reserves that enable the Group to meet its debts as and when they fall due.

(r) New and revised accounting standards effective at 30 June 2018

The Group has adopted the following new and revised accounting standards for the first time for their annual reporting period ending 30 June 2018.

AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 112: Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

This Standard does not significantly impact the Group's financial statements.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (applicable for annual reporting periods commencing on or after 1 January 2017).

This Amending Standard amends AASB 107: Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

This Standard does not significantly impact the Group's financial statements.

AASB 2017-2: Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle (applicable to annual reporting periods commencing on or after 1 January 2017).

This Amending Standard clarifies the scope of AASB 12: Disclosure of Interests in Other Entities by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations

This Standard does not significantly impact the Group's financial statements.

1 Summary of significant accounting policies (cont.)

(s) Accounting standards issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 9: Financial Instruments (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Groups financial instruments, including potential hedging activities, preliminary assessment is that at present, the potential impact is not expected to be significant.

AASB 15: Revenue from Contracts with Customers, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15,

AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 and AASB 2016-7: Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (applicable to for profit entities for annual reporting periods commencing on or after 1 January 2018 and to not-for-profit entities for annual reporting periods commencing on or after 1 January 2019).

AASB 15 will provide (except in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

Based on an initial impact assessment the new standard is not expected to significantly impact revenue recognition.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis.

1 Summary of significant accounting policies (cont.)
(s) Accounting standards issued but not yet effective (cont.)

Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The directors anticipate that upon adoption the Groups Financial Position will be grossed up (both assets and liabilities) to reflect the rights and obligations relating to the Groups leases. Further, that operating lease payments will be replaced with a net interest expense and straight-line depreciation expense. The likely quantitative impact is still to be assessed.

AASB 2016-5: Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions (applicable for annual reporting periods commencing on or after 1 January 2018).

This Amending Standard amends AASB 2: Share-based Payment to address:

- the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
- the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2018-1: Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (applicable for annual reporting periods beginning on or after 1 January 2019).

AASB 2018-1 amends:

AASB 3: Business Combinations to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business;

AASB 11: Joint Arrangements to clarify that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;

AASB 112: Income Taxes to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; and

AASB 123: Borrowing Costs to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.

This Standard is not expected to significantly impact the Group's financial statements.

AASB Interpretation 22: Foreign Currency Transactions and Advance Consideration (applicable for annual reporting periods commencing on or after 1 January 2018).

Interpretation 22 clarifies that, in applying AASB 121: The Effects of Changes in Foreign Exchange Rates, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. Accordingly, if there are multiple payments or receipts in advance, the entity is required to determine a date of the transaction for each payment or receipt of advance consideration.

This Standard is not expected to significantly impact the Groups financial statements.

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, Risk & Compliance 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.

		Consolidated
	2018 US\$	Restated 2017 US\$
Financial assets		
Cash and cash equivalents	4,366,304	7,157,027
Trade and other receivables	6,336,396	3,890,282
	10,702,700	11,047,309
Financial liabilities		
Trade payables and other liabilities	4,824,818	3,546,995

(a) Market risk

(i) Foreign exchange risk

99.9% of the Group's sales are denominated in the functional currency, whilst approximately 80% of costs are denominated in the Group's functional currency. From 1 July 2017, in respect of the year ending 30 June 2018 and all subsequent financial years, the Group's functional and presentation currency has changed from Australian dollars to US dollars.

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

	30 June 2018 US\$	Restated 30 June 2017 US\$
Consolidated		
Cash and cash equivalents	2,010,051	3,305,292
Trade receivables	114,418	78,103
Trade payables	(261,936)	(187,840)
Provisions	(952,708)	(865,000)
Income Tax	-	(38,360)
Net exposure	(909,825)	2,292,195

2 Financial risk management (cont.)**(a) Market risk (cont.)****(i) Foreign exchange risk (cont.)****Sensitivity**

At 30 June 2018, had the US Dollar moved, as illustrated in the table below, with all other variables held constant and based on a base rate of US\$1.00 = \$A1.3530 and US\$1.00 = EUR0.8598 and US\$1.00 = \$CAD1.3318, post tax profit and equity would have been affected as follows:

	Post Tax Profit /(loss)			Equity
	Higher/(Lower) 2018 US\$	Higher/(Lower) 2017 US\$	Higher/(Lower) 2018 US\$	Higher/(Lower) 2017 US\$
USD:AUD+10%	2,545,939	5,974	2,545,939	5,974
USD:EUR+10%	16,073	(40,414)	16,073	(40,414)
USD:CAD+10%	(72,194)	(260,600)	(72,194)	(260,600)
TOTAL	2,489,818	(295,040)	2,489,818	(295,040)
USD:AUD-10%	2,083,041	4,888	2,083,041	4,888
USD:EUR-10%	13,151	(33,066)	13,151	(33,066)
USD:CAD-10%	(59,068)	(213,218)	(59,068)	(213,218)
TOTAL	2,037,124	(241,396)	2,037,124	(241,396)

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

(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 shown in USD.

	30 June 2018 US\$	Restated 30 June 2017 US\$
Consolidated		
Cash at bank and on hand	152,542	-
Short-term deposits	1,617,739	2,584,614
Net exposure to interest rate risk	1,770,281	2,584,614

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 /(loss)			Equity
	Higher 2018 US\$	(Lower) 2017 US\$	Higher 2018 US\$	(Lower) 2017 US\$
Increase 1%	17,703	25,846	17,703	25,846
Decrease 0.5%	(8,851)	(12,923)	(8,851)	(12,923)

2 Financial risk management (cont.)

(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 secure 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 as and when they fall due.

(d) Fair value measurements

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and Notes to the financial statements.

3 Critical accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(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 and the United States 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 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. For options with performance based hurdles, probabilities have been assessed at 30 June as to whether the hurdles will be met by the option vesting dates.

Long service leave provision

As discussed in Note 1(m), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 17.

4 Segment information

(a) Description of segments

Identification of reportable segments

The Group has three reportable segments as described below:

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (deemed the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the market the services are provided in (i.e. cognitive testing in clinical trials, cognitive assessment in academic research and cognitive assessment in healthcare). 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
- Interest expense
- Foreign exchange gain/(loss)
- Profit/(loss) on disposal of assets
- Finance costs
- Depreciation expense
- Other income
- 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 and/or hospitals to assess cognitive decline.

The third identified segment is provision of technology and associated services to academic researchers, 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.

4 Segment information (cont.)

(b) Segment information

The following table present revenue and profit/(loss) information regarding the segments of clinical trials and healthcare markets for the years ended year ended 30 June 2018 and 30 June 2017.

Consolidated 2018	Clinical Trials US\$	Healthcare Market US\$	Administration (including Research) US\$	Total US\$
Sales to external customers	28,080,187	384,929	491,768	28,956,884
Revenue from external customers	28,080,187	384,929	491,768	28,956,884
Cost of Sales	(12,535,853)	(494,608)	(30,447)	(13,060,907)
Total Segment Gross Profit/(Loss)	15,544,333	(109,678)	461,321	15,895,977
Interest revenue	-	-	38,796	38,796
Total gross profit per statement of profit or loss and other comprehensive income				15,934,773
Operating profit/(loss)	15,544,333	(1,852,597)	(13,182,847)	508,889
Depreciation and amortisation expenses	-	-	(290,858)	(290,858)
Foreign exchange gain/(loss) realised and unrealised	-	-	(60,723)	(60,723)
Profit/(loss) on disposal of assets	-	-	4,176	4,176
Royalty income	-	-	19,215	19,215
Finance costs	-	-	(74,482)	(74,482)
Segment result	15,544,333	(1,852,597)	(13,585,519)	106,217
Profit/(loss) before tax per statement of profit or loss and other comprehensive income	15,544,333	(1,852,597)	(13,585,519)	106,217

Consolidated Restated 2017	Clinical Trials US\$	Healthcare Market US\$	Administration (including Research) US\$	Total US\$
Sales to external customers	26,187,137	205,045	12,771	26,404,953
Revenue from external customers	26,187,137	205,045	12,771	26,404,953
Cost of Sales	(11,807,610)	(844,605)	(68,407)	(12,720,622)
Total Segment Gross Profit/(loss)	14,379,527	(639,560)	(55,636)	13,684,331
Interest revenue	-	-	56,154	56,154
Total gross profit per statement of profit or loss and other comprehensive income				13,740,485
Net Pass-through Recovery	36,859	-	-	36,859
Operating profit/(loss)	14,416,386	(931,562)	(13,433,904)	50,920
Depreciation and amortisation expenses	-	-	(326,931)	(326,931)
Foreign exchange gain/(loss) realised and unrealised	-	-	(370,334)	(370,334)
Profit/(loss) on disposal of assets	-	-	9,689	9,689
Royalty income	-	-	33,654	33,654
Finance costs	-	-	(58,443)	(58,443)
Segment result	14,416,386	(931,562)	(14,146,269)	(661,445)
Profit/(loss) before tax per statement of profit or loss and other comprehensive income	14,416,386	(931,562)	(14,146,269)	(661,445)

4 Segment information (cont.)

(c) Segment revenue

Cogstate Ltd had two 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:

- Eli Lilly and Company \$9.6m
- Johnson & Johnson Group of companies - \$3.4m

In 2017, Cogstate Ltd had three 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:

- Eli Lilly and Company \$10.0m
- Eisai Co., Ltd \$7.0m
- Johnson & Johnson Group of companies - \$6.9m

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

	2018 US\$	Consolidated Restated 2017 US\$
From continuing operations		
Sales revenue		
Sale of services and licenses in clinical trials	28,080,187	26,187,137
Sale of services and licenses in healthcare	384,929	205,045
Sale of services and licenses in research	491,768	12,771
	28,956,884	26,404,953
Finance income	38,796	56,154
	28,995,680	26,461,107

6 Cost of sales

	2018 US\$	Consolidated Restated 2017 US\$
Cost of sales		
Direct Wages and Salaries	(11,621,263)	(11,140,408)
Direct Contractors	(656,232)	(743,869)
Direct Depreciation	(360,860)	(444,662)
Other Cost of Sales	(422,552)	(391,683)
Total cost of sales	(13,060,907)	(12,720,622)

7 Other income

	2018 US\$	Consolidated Restated 2017 US\$
Royalty revenue	19,215	33,654
Net pass-through recovery	-	36,859
	19,215	70,513

8 Employee benefit expense

		Consolidated
	2018 US\$	Restated 2017 US\$
Employee benefit expenses		
Wages & Salaries	(11,214,394)	(8,732,101)
Less capitalisation of software costs	2,377,905	-
Share based payments expenses	(953,003)	(721,724)
Total employee benefit expenses	(9,789,492)	(9,453,825)

9 Depreciation

		Consolidated
	2018 US\$	Restated 2017 US\$
Depreciation		
Other indirect depreciation expense	(290,858)	(326,931)
Total depreciation	(290,858)	(326,931)

Depreciation on equipment used directly in the generation of revenue (Direct Depreciation) has been disclosed as part of Cost of Sales in Note 6. Total depreciation, both direct and indirect, was \$651,718 in 2018 and \$771,593 in 2017.

10 Income tax expense

(a) Income tax expense/(benefit)

		Consolidated
	2018 US\$	Restated 2017 US\$
Current tax	-	18,528
Deferred tax	568,138	17,808
(Over)/under provisions in prior years	103,997	(54,442)
	672,135	(18,106)
Income tax expense/(benefit) is attributable to:		
Profit from continuing operations	672,135	(18,106)

(b) Reconciliation of income tax expense to prima facie tax expense/(benefit)

		Consolidated
	2018 US\$	Restated 2017 US\$
Profit/ (Loss) from continuing operations before income tax expense	106,217	(661,445)
Prima Facie Tax at the Australian tax rate of 30.0% (2017 - 30.0%)	31,865	(198,434)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D offset recognised	(202,510)	-
Other offsets utilised	(206,743)	-
Tax losses not recognised	44,837	45,495
Over/(under) provision in prior years	103,997	(54,442)
Non-deductible share based payments	238,720	260,686
Expenditure not deductible for income tax purposes (incl. R&D)	213,076	20,444
Previously unrecognised tax losses now recognised	-	(91,856)
Tax effect of change of US tax rate to 21% (2017 - 40%)	448,892	-
Income tax expense/(benefit)	672,135	(18,106)

10 Income tax expense (cont.)**(c) Tax losses**

		Consolidated
	2018	Restated
	US\$	2017
		US\$
Unrecognised deferred tax asset on unused tax losses (cumulative)	442,035	292,578
Potential tax benefit of foreign losses (current year)	44,837	45,495

The benefit will only be obtained if:

- (a) The 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 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 Group in realising the benefit from the deductions for the losses.

11 Non-current assets - Deferred tax assets

		Consolidated
	2018	Restated
	US\$	2017
		US\$
The balance comprises temporary differences attributable to:		
Tax losses	623,857	1,058,586
R&D tax offsets	760,608	768,286
Employee benefits	505,686	581,374
Rights Issue Expenses	10,775	-
Accrued expenses	216,915	411,017
Unrealised foreign exchange (gain)/loss	(15,231)	43,921
Doubtful debts	21,200	21,199
	2,123,810	2,884,933

In Cogstate Ltd tax losses of US\$506,522 are available for future use at 30 June 2018, an increase of US\$129,047 from the balance of US\$377,475 at 30 June 2018. The increase in the available tax losses within Cogstate Ltd represents tax losses that have been booked during the period.

In Cogstate Inc tax losses of US\$117,335 are available for future use at 30 June 2018, a decrease of US\$563,776 from the balance of US\$681,111 at 30 June 2018. The balance of Cogstate Inc tax losses has been adjusted to reflect future reduction of the corporate income tax rate in the United States from 40% to 21% from 1 January 2018.

The deferred tax asset of US\$623,857 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.

12 Non-current liabilities - Deferred tax liabilities

		Consolidated
	2018	Restated
	US\$	2017
		US\$
The balance comprises temporary differences attributable to:		
Accrued interest income	890	1,487
Unrealised foreign exchange gain	279,710	474,146
Intangible assets	2,014	-
	282,614	475,633

13 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit/(loss) 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/(loss) 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
	2018 US Cents	Restated 2017 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	(0.5)	(0.6)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.5)	(0.6)

(b) Diluted earnings per share

		Consolidated
	2018 US Cents	Restated 2017 US Cents
From continuing operations attributable to the ordinary equity holders of the Company	(0.5)	(0.6)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(0.5)	(0.6)

(c) Reconciliation of earnings used in calculating earnings per share

		Consolidated
	2018 US\$	Restated 2017 US\$
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	(565,918)	(643,339)
Diluted earnings per share		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company		
Used in calculating diluted earnings per share	(565,918)	(643,339)

(d) Weighted average number of shares used as denominator

		Consolidated
	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	114,153,863	112,814,174

(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.

14 Current assets - Cash and cash equivalents

	2018 US\$	Consolidated Restated 2017 US\$
Cash at bank and in hand	2,648,565	4,472,413
Short-term deposits	1,717,739	2,684,614
	4,366,304	7,157,027

(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.

15 Current assets - Trade and other receivables

	2018 US\$	Consolidated Restated 2017 US\$
Trade receivables	6,407,061	3,960,947
Provision for impairment of receivables	(70,665)	(70,665)
	6,336,396	3,890,282

Trade and other receivables ageing analysis at 30 June is:

	Gross 2018 US\$	Restated Gross 2017 US\$
Not past due	6,293,006	3,894,455
Past due 30-59 days	27,543	7,507
Past due 60-89 days	10,550	6,277
Past due more than 90 days	75,962	52,708
	6,407,061	3,960,947

(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 Group in the current year (2017: US\$70,665).

(b) Past due but not impaired

Receivables past due but not considered impaired are US\$70,665 (2017: US\$70,665). 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.

16 Current assets - Other current assets

		Consolidated
	2018	Restated
	US\$	2017
		US\$
Accrued Income	644,418	90,281
Prepayments	1,029,951	610,648
Other receivables	167,876	222,480
	1,842,245	923,409

17 Non-current assets - Property, plant and equipment

		Consolidated
	2018	Restated
	US\$	2017
		US\$
Property, plant and equipment		
Gross value	4,653,648	4,225,558
Accumulated depreciation	(3,223,870)	(2,615,268)
	1,429,778	1,610,290

		Consolidated
	2018	Restated
	US\$	2017
		US\$
Plant and equipment		
Opening net book amount	1,610,290	1,317,881
Additions	481,096	1,101,395
Disposals	(9,890)	(37,393)
Depreciation charge	(651,718)	(771,593)
Closing net book amount	1,429,778	1,610,290

18 Non-current assets - Intangible assets

	2018 US\$	Consolidated Restated 2017 US\$
Software Development		
Gross value	2,384,274	-
Intellectual Property - Clinical Trials		
Gross value	308,898	308,898
	2,693,172	308,898

Consolidated	Software Development* US\$	Intellectual Property - Clinical Trials US\$	Total US\$
Year ended 30 June 2018			
Opening net book amount	-	308,898	308,898
Capitalisation	2,384,274	-	2,384,274
Closing net book amount	2,384,274	308,898	2,693,172

Consolidated	Intellectual Property - Clinical Trials US\$	Total US\$
Restated year ended 30 June 2017		
Opening net book amount	308,898	308,898

* Software includes capitalised development costs being an internally generated intangible asset.

During the reporting period, Cogstate has been developing a new database platform infrastructure for use within the clinical trials segment. The new platform will replace a custom-built infrastructure that was launched in 2006. Following internal review, it was determined that the existing infrastructure was inefficient to maintain and did not provide necessary functionality for Cogstate's future commercial plans.

From the new platform, once completed, Cogstate will launch the various cognitive tests, process raw data and produce necessary reports. The platform will incorporate a commercial electronic data capture (EDC) system to store and manage both cognitive test outcomes as well as other clinical outcomes collected as part of Cogstate's current service offering.

As part of the development, it has been necessary to develop a custom-built integration layer to synchronise data between the commercial EDC system and Cogstate's proprietary computerised cognitive assessments.

The platform, once implemented commercially, is expected to provide operational efficiency through better and easier management and reporting of data. The platform will also provide Cogstate a more scalable and flexible system from which Cogstate will be able to incorporate other technologies and/or assessment modalities that, in the future, may be complementary to Cogstate's commercial solutions. The development of the platform is being undertaken by Cogstate employees and the amount capitalised to 30 June reflects the labour effort expended in building the net platform. The new infrastructure will be available for use in the 2019 financial year, upon which the capitalised balance will commence amortisation.

Amounts capitalised include the total labour costs directly attributable to development. Management judgement is involved in determining the appropriate internal costs to capitalise and the amounts involved.

18 Non-current assets - Intangible assets (cont.)

Impairment losses recognised

Continuing Operations

These assets were tested for impairment during the year ended 30 June 2018.

Impairment tests for intangibles

Acquired intellectual property rights have been allocated to one cash generating unit, which is a reportable segment, for impairment testing as follows:

- Clinical Trials cash generating unit

There was no impairment of the carrying value of the intellectual property for the Clinical Trials 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% (2017: 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 2018 and 30 June 2017.

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% (2017: 20%). The cash generating unit's recoverable amount exceeds the carrying value of the cash generating unit.

19 Current liabilities - Trade payables and other liabilities

		Consolidated
	2018 US\$	Restated 2017 US\$
Trade payables	1,302,090	665,109
Accrued payables	2,411,823	1,953,614
Revenue in advance	1,110,905	928,272
	4,824,818	3,546,995

20 Current liabilities - Provisions

		Consolidated
	2018 US\$	Restated 2017 US\$
Current		
Long service leave	335,696	297,529
Annual leave	1,588,096	1,312,936
	1,923,792	1,610,465
Non-current		
Long service leave	75,812	59,421

21 Contributed equity

(a) Share capital

	Notes	2018 Shares	2017 Shares	2018 US\$	Restated 2017 US\$
Ordinary shares					
Fully paid		114,360,182	113,676,848	24,163,398	23,915,433

(b) Movements in ordinary share capital

Date	Details	Number of shares	US\$
1 July 2016	Opening balance	111,873,515	23,269,918
	Exercise of options	1,803,333	356,857
	Transfer to share capital on exercise of options	-	288,658
30 June 2017	Balance	113,676,848	23,915,433
	Exercise of options	683,334	153,633
	Transfer to share capital on exercise of options	-	94,332
30 June 2018	Balance	114,360,182	24,163,398

(c) Ordinary shares

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

(d) Capital risk management

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

Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board has resolved that no dividend should be declared in respect of the year ended 30 June 2018

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

22 Other reserves

(a) Other reserves

		Consolidated
	2018 US\$	Restated 2017 US\$
Share-based payments reserve	2,151,020	1,230,722
Foreign currency translation reserve	(2,944,799)	(2,944,799)
	(793,779)	(1,714,077)

			Consolidated
	Notes	2018 US\$	Restated 2017 US\$
Movements:			
Share-based payments			
Opening balance		1,230,722	605,947
Option expense	27	953,003	721,724
Exchange differences on translation of functional and presentation currency		61,627	191,709
Transfer to share capital on exercise of options	21(b)	(94,332)	(288,658)
Balance 30 June		2,151,020	1,230,722
Foreign currency translation			
Opening balance		(2,944,799)	(2,944,799)

		2018 US\$	Restated 2017 US\$
Share based payments			
Employees		2,151,020	1,219,413
Non-Employees		0	11,309
		2,151,020	1,230,722

(b) 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.

(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(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss upon the disposal of the net investment.

23 Parent entity financial information

(a) Summary financial information

	2018 US\$	Restated 2017 US\$
Balance sheet		
Current assets	14,436,180	12,043,661
Total assets	20,173,789	15,359,472
Current liabilities	6,690,956	4,820,219
Total liabilities	6,774,005	4,879,640
Net assets	13,399,784	10,479,832
Shareholders' equity		
Issued capital	24,163,398	23,915,433
Reserves		
Share Option Reserve	983,939	631,845
Foreign Currency Translation Reserve	(2,709,097)	(2,709,097)
Retained earnings	(9,038,456)	(11,358,349)
Total shareholders' equity	13,399,784	10,479,832
Profit or loss for the year	2,319,893	12,036
Total comprehensive income	2,319,893	12,036

(b) Guarantees and commitments entered into by the parent entity

	2018 US\$	Restated 2017 US\$
Financial guarantee in relation to commercial lease	65,620	68,292
Contractual commitments in relation to commercial leases	360,659	124,173
	426,279	192,465

24 Reconciliation of loss after income tax to net cash inflow from operating activities

	2018 US\$	Consolidated Restated 2017 US\$
Profit/(loss) for the year	(565,918)	(643,339)
Depreciation	651,718	771,593
Write off of assets	4,176	9,689
Non-cash employee benefits expense - share-based payments	953,003	721,724
Net exchange differences	24,327	404,942
Change in operating assets and liabilities:		
(Increase)/decrease in trade debtors and other receivables	(2,446,114)	16,364
(Increase)/decrease in prepayments	(419,303)	(139,932)
(Increase)/decrease in other operating assets	(461,975)	(32,382)
(Increase)/decrease in deferred tax assets	761,122	(29,653)
(Decrease)/increase in trade payables and other liabilities	1,277,823	1,034,602
(Decrease)/Increase in income taxes payable	(37,558)	(55,006)
(Decrease)/Increase in deferred tax liabilities	(193,018)	(61,810)
Increase in other provisions	329,718	392,386
Net cash (outflow)/inflow from operating activities	(121,999)	2,389,178

25 Related party transactions

(a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2018 \$ US	2017 US\$
Cogstate Inc	USA	100	100
Cogstate Health Inc	USA	100	100
Cogstate Healthcare LLC (Formerly Cogstate Sport LLC)	USA	100	100
Cogstate Sport Pty Ltd	Australia	100	100
Cogstate Canada Inc	Canada	100	100
Cogstate Spain SL	Spain	100	100

(b) Parent entities

Cogstate Limited is the ultimate parent of the Group.

(c) Key management personnel

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

(d) 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.

A related party of Brad O'Connor is employed by Cogstate Ltd. Remuneration and terms of this employment are made on a normal arm's length basis.

A related party of Martyn Myer is employed by Cogstate Inc. Remuneration and terms of this employment are made on a normal arm's length basis.

26 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2018 US\$	Restated 2017 US\$
Short-term employee benefits	2,687,147	2,235,624
Post-employment benefits	93,575	92,517
Long-term benefits	25,489	15,758
Termination benefits	169,125	166,154
Share-based payments	597,363	505,959
	3,572,699	3,016,012

Detailed remuneration disclosures are provided in the remuneration report on pages 32 to 41.

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:

	2018 US\$	Consolidated Restated 2017 US\$
Options issued under employee share option plan	953,003	721,724

Reconciliation of share-based payment expense for the 2018 financial year is as follows:

Consolidated	2018 US\$	Restated 2017 US\$
Expense reversed as options not fully vested lapsed	(178,111)	(32,279)
Expense for options issued during current financial year	46,790	597,422
Expense for options issued in previous financial years	1,084,324	156,581
	953,003	721,724

(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.

The options cannot be transferred and will not be quoted on the ASX. There are no cash settlement alternatives. There are currently 3 directors and 45 executives/staff eligible for this scheme.

(c) Summaries of options granted under ESOP

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Outstanding at the beginning of the year	15,794,584	\$0.63	10,372,917	\$0.26
Granted during the year	540,000	\$0.94	7,835,000	\$1.01
Forfeited during the year	(1,900,000)	\$1.12	(610,000)	\$0.38
Exercised during the year	(683,333)	\$0.29	(1,803,333)	\$0.26
Expired during the year	0	\$0.00	0	\$0.00
Outstanding at the end of the year	13,751,250	\$0.59	15,794,584	\$0.63

27 Share-based payments (cont.)**(c) Summaries of options granted under ESOP (cont.)**

The outstanding balance as at 30 June 2018 is represented by:

Number of options	Grant date	Vesting Date	Expiry Date	Exercise Price
504,583	01-Jul-08	05-Aug-11	05-Aug-18	\$0.10
500,000	06-Oct-08	23-Oct-11	23-Oct-18	\$0.15
145,000	24-Oct-08	24-Oct-11	23-Oct-18	\$0.10
231,667	29-Jul-13	29-Jul-15	29-Jul-18	\$0.36
480,000	29-Jul-13	29-Jul-16	29-Jul-18	\$0.36
116,665	31-Oct-13	31-Oct-15	31-Oct-18	\$0.49
233,335	31-Oct-13	31-Oct-16	31-Oct-18	\$0.49
8,333	02-Apr-14	02-Apr-16	02-Apr-19	\$0.36
16,667	02-Apr-14	02-Apr-17	02-Apr-19	\$0.36
6,667	07-Jul-14	07-Jul-16	07-Jul-19	\$0.30
13,333	07-Jul-14	07-Jul-17	07-Jul-19	\$0.30
250,000	03-Nov-14	03-Nov-16	03-Nov-19	\$0.28
500,000	03-Nov-14	03-Nov-17	03-Nov-19	\$0.28
16,667	02-Mar-15	02-Mar-17	02-Mar-20	\$0.21
33,333	02-Mar-15	02-Mar-18	02-Mar-20	\$0.21
566,667	20-Mar-15	20-Mar-17	20-Mar-20	\$0.21
1,666,667	20-Mar-15	20-Mar-18	20-Mar-20	\$0.21
166,667	11-Sep-15	11-Sep-17	11-Sep-20	\$0.27
400,000	11-Sep-15	11-Sep-18	11-Sep-20	\$0.27
66,667	22-Oct-15	22-Oct-17	22-Oct-20	\$0.26
366,667	22-Oct-15	22-Oct-17	20-Mar-20	\$0.21
133,333	22-Oct-15	22-Oct-18	22-Oct-20	\$0.26
733,333	22-Oct-15	22-Oct-18	20-Mar-20	\$0.21
16,667	09-Nov-15	09-Nov-17	09-Nov-20	\$0.40
33,333	09-Nov-15	09-Nov-18	09-Nov-20	\$0.40
33,333	04-Jan-16	04-Jan-18	04-Jan-21	\$0.60
66,667	04-Jan-16	04-Jan-19	04-Jan-21	\$0.60
33,333	30-Jun-16	30-Jun-18	30-Jun-21	\$0.82
66,667	30-Jun-16	30-Jun-19	30-Jun-21	\$0.82
908,333	30-Sep-16	30-Sep-18	30-Sep-21	\$0.93
1,816,667	30-Sep-16	30-Sep-19	30-Sep-21	\$0.93
383,333	17-Oct-16	17-Oct-18	17-Oct-21	\$0.84
766,667	17-Oct-16	17-Oct-19	17-Oct-21	\$0.84
410,000	31-Dec-16	31-Dec-18	31-Dec-21	\$1.14
150,000	31-Dec-16	31-Dec-18	30-Jun-22	\$1.14
820,000	31-Dec-16	31-Dec-19	31-Dec-21	\$1.14
300,000	31-Dec-16	31-Dec-19	30-Jun-22	\$1.14
83,333	31-Mar-17	31-Mar-19	31-Mar-22	\$1.15
166,667	31-Mar-17	30-Mar-20	31-Mar-22	\$1.15
113,333	29-Sep-17	29-Sep-19	29-Sep-22	\$0.98
226,667	29-Sep-17	28-Sep-20	29-Sep-22	\$0.98
33,333	29-Dec-17	30-Dec-19	29-Dec-22	\$0.93
66,667	29-Dec-17	29-Dec-20	29-Dec-22	\$0.93
33,333	29-Mar-18	29-Mar-20	29-Mar-23	\$0.83
66,667	29-Mar-18	29-Mar-21	29-Mar-23	\$0.83
13,751,250				

27 Share-based payments (cont.)**(d) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding at 30 June 2018 is 2.32 years (2017: 3.27 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.10-\$1.15 (2017: \$0.10-\$1.15).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.9430 (2017: \$0.5731).

(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 2018 and 30 June 2017:

2018	29-Sep-17	29-Dec-17	29-Mar-18
Dividend yield (%)	0	0	0
Expected volatility (%)	60	60	60
Risk-free interest rate (%)	2.46	2.37	2.32
Expected life of option (years)	3	3	3
Option exercise price (\$)	0.98	0.93	0.83
Market share price at grant date (\$)	0.94	0.89	0.79

2017	30-Sep-16	17-Oct-16	31-Dec-16	31-Dec-16	31-Dec-16	31-Mar-17
Dividend yield (%)	0	0	0	0	0	0
Expected volatility (%)	60	60	60	60	60	60
Risk-free interest rate (%)	1.60	1.60	2.16	2.32	2.57	2.18
Expected life of option (years)	3	3	3	3	3	3
Option exercise price (\$)	0.93	0.84	1.14	1.14	1.14	1.15
Market share price at grant date (\$)	0.89	1.03	1.22	1.22	1.22	1.02

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, New Haven and New York, 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
	2018	Restated
	US\$	2017
		US\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	679,541	717,299
Later than one year but not later than five years	2,004,777	1,995,735
Later than five years	328,425	650,282
	3,012,743	3,363,316

(b) Guarantees

Cogstate Limited has a bank guarantee in place for US\$65,620 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 2018 (2017: nil).

29 Events occurring after the reporting period

After the end of the 2018 financial year, Cogstate received notification of the cancellation of a small number of contracted clinical trials in Alzheimer's disease on which the Company was working. The study cancellations have been announced, but formal reconciliation and cancellation of contracts will occur within the 2019 financial year. The cancellations will impact revenue through financial years 2019 - 2023.

Since April 2018, Cogstate has been working on a restructure that will result in substantial cost savings. The most significant cost saving being the cessation of direct sales and marketing activities for Cognigram. Existing and new Cognigram customers will continue to be supported but direct sales and marketing activities will cease, with a corresponding termination of relevant roles within the Company. Cogstate will continue to seek commercial opportunities for Cognigram through distribution partners. Other cost savings have also been enacted, but these are not expected to impact delivery of products and services to continuing operations.

No other matter or circumstance has arisen since 30 June 2018 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.

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 (Melbourne)

		Consolidated
	2018 US\$	Restated 2017 US\$
Audit and other assurance services		
Audit and review of financial statements	82,241	88,665
Total remuneration for audit and other assurance services	82,241	88,665
Taxation services		
Tax compliance services	13,940	70,911
Total remuneration for taxation services	13,940	70,911
Total remuneration of Pitcher Partners (Melbourne)	96,181	159,576

(b) Network Firms of Pitcher Partners

		Consolidated
	2018 US\$	Restated 2017 US\$
Other services		
Taxation services	34,831	69,578
Total remuneration for other services	34,831	69,578
Total remuneration of network firms of Pitcher Partners	34,831	69,578
Total auditors' remuneration	131,012	229,154

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and Notes set out on pages 43 to 76 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (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 Group's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2018.

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



Martyn Myer AO, Chairman
Melbourne, 10 August 2018

Independent Auditor's Report to the Members of Cogstate Limited

Cogstate Limited
ABN: 80 090 975 723



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Cogstate Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cogstate Limited "the Company" and controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF
 Cogstate Limited**

Key Audit Matter	How our audit addressed the key audit matter
<i>Revenue Recognition</i> Refer to Note 1(d) and Note 5	
The Group recognised revenue of \$28.08m relating to the sale of services and licences in clinical trials. The Group enters into large contracts with pharmaceutical customers that often span multiple financial years. We focused on the existence and accurate recognition of this revenue in line with the signed contracts and AASB 118. • The license fee revenue is recognised when the significant risks and rewards relating to the licensed software are passed to the customer via transfer of a license key. • The rendering of services revenue relating to each clinical trial is recognised via achievement of key milestones set out in the relevant contract.	Our testing of revenue transactions focused on evidencing the transfer of license key and that the underlying milestone had occurred in the period, to trigger the recognition of the revenue. Our procedures included amongst others: • Evaluating management process regarding the recognition of revenue, which included a reviewing the controls and process for recognising and recording revenue transactions. • For a sample of revenue transactions: - Testing the revenue recorded to supporting documentation including invoice and signed contract. - Reviewing a sample of contracts, to evaluate whether the revenue was being recognised by management in line with the date of the transfer of the license key and milestones for rendering of services. - Testing the existence of monies receipted relating to license and service revenue. - Reviewing the general journals throughout the year impacting on revenue. • Testing material revenue transactions that were recognised as revenue in the final two months of the financial year to ensure such revenue was in fact recognised in the appropriate period in line with the Group's revenue recognition accounting policy and accounting standards.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF
 Cogstate Limited**

Key Audit Matter	How our audit addressed the key audit matter
<i>Deferred Tax Assets</i> Refer to Note 11	
Deferred Tax Assets of \$2.12m have been recognised in relation to Australian and US timing differences, R&D tax offsets, and tax losses carried forward. We have focused on this balance because there have been recent losses reported by the Group as well as several large revenue contracts being recently cancelled. The recoverability of the deferred tax asset is subject to probability of the relevant entities generating sufficient future taxable income to recoup the Deferred Tax Assets.	Our testing of Deferred Tax Assets focused on evaluating the probability assessment of the relevant entities to generate sufficient future taxable income to recoup the Deferred Tax Asset. Our procedures included amongst others: • Confirming the Cogstate Australian Tax Consolidated Group and Cogstate US Tax Consolidated Group have been recouping tax losses. • Reviewing the Group's financial forecasts. • Engaging an internal tax expert to review the income tax calculations for the Cogstate Australian Tax Consolidated Group at 30 June 2018 to determine the reasonableness of Deferred Tax Assets and Liabilities balances. • Engaging a US Tax Expert to review the income tax calculations for the Cogstate US Tax Consolidated Group at 30 June 2018 to determine the reasonableness of Deferred Tax Assets and Liabilities balances. • Agreeing the carried forward tax loss position at year end to lodged 30 June 2017 tax returns.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
Cogstate Limited**

Key Audit Matter	How our audit addressed the key audit matter
<i>Intangible Assets</i> Refer to Note 18	
Intangible assets totalling \$2.69m as disclosed in Note 18 represent a significant balance recorded in the consolidation statement of financial position. The two key components to this balance are internally capitalised software development costs in relation to the development of new data platform infrastructure (\$2.38m) and acquired intellectual property rights for clinical trials software (\$0.31m). For the capitalised software development costs, we focused on assessing the existence and valuation of the capitalised costs in accordance with Australian Accounting Standards. For the acquired intellectual property rights, management prepares a valuation model using assumptions to assess the recoverable amount of Cogstate Limited's clinical trials software cash generating unit. We have focused on assessing the recoverable value of this asset.	Our testing of internally capitalised development costs focused on assessing the existence and valuation of the capitalised costs in accordance with AASB 138. Our procedures included amongst others: • Evaluating management's process regarding the recognition of software development costs, which included a review of the controls and process for recognising and recording development costs; and • Testing a sample of capitalised development costs by: - Vouching the capitalised time to approved employee timesheets. - Recalculating the value of time capitalised for a sample of employees by vouching hourly rates and other applicable on-costs to signed employment contracts. Our testing of intellectual property focused on evaluating the Group's valuation model in connection to the assessment of impairment of the intellectual property. Our procedures included amongst others: • Obtaining an understanding of the process associated with the preparation of the valuation model used to assess the recoverable amount of Cogstate Limited's cash generating unit; • Critically evaluating management's methodology and their key assumptions utilised in the valuation model which is described in Note 18; and • Checking the mathematical accuracy of the cash flow model and forecast cash flows to the latest Board approved forecasts.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
Cogstate Limited**

Key Audit Matter	How our audit addressed the key audit matter
<i>Share based payment expense</i> Refer to Note 27	
The Group recorded a share based payment expense of \$0.95m relating to the grant of options to employees, Key Management Personnel and directors. We have focussed on this balance as there were a substantial number of options issued during the last two financial years, including performance based share options. Performance based options valuation involves a number of estimates and judgements made by management in terms of the vesting periods adopted and probability of the performance criteria being achieved.	Our testing of the share based payments expense focused on assessing the appropriateness of the expense recognised during the financial year, particularly in relation to the option valuation model and vesting period assessed at grant date. Our procedures included amongst others: • Engaging our internal valuation expert to assess the valuation of options granted during the financial year. • Challenging and assessing management's estimates and judgements in determining the performance criteria probability and vesting conditions relating to the performance based share options issued.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
Cogstate Limited**

Key Audit Matter	How our audit addressed the key audit matter
<i>Functional and Presentation Currency</i> Refer to Note 1(c)(i)	
The Group has adopted US dollars as its functional and presentation currency for the year ended 30 June 2018 financial statements in accordance with AASB 121.	Our testing of the financial statements change in functional and reporting currency focused on assessing the appropriateness of the change as well as the accuracy of the balances reported in US dollars.
We have focussed on this change in functional and presentation currency as all balances are now reported in US dollars for the first time.	Our procedures included amongst others: • Assessing the factors upon which management made the judgement to determine the appropriate functional currency in accordance with the requirements of AASB 121.
This change involves judgement by management in determining the appropriate functional currency. Further, having elected to change functional and reporting currency, current year balances must be appropriately reported, and prior year comparatives must be appropriately restated to reflect the new functional and reporting currency.	• Assessing the treatment of transactions and balances in the current year to ensure they were appropriately recorded and reported in US dollars. • Assessing the treatment of transactions and balances in the prior year comparatives to ensure they were appropriately recorded and reported in US dollars.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
Cogstate Limited**

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
Cogstate Limited**

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 41 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Cogstate Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Cogstate Limited
ABN: 80 090 975 723



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
Cogstate Limited**

Responsibilities

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.

S SCHONBERG

PITCHER PARTNERS

Melbourne, 10 August 2018

Shareholder Information

The shareholder information set out below was applicable as at 6 August 2018.

A. Distribution of equity securities

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

Holding	Class of equity security	
	Ordinary shares	
	Shares	Options
1 - 1,000	561	0
1,001 - 5,000	848	0
5,001 - 10,000	226	0
10,001 - 100,000	245	27
100,001 and over	65	21
	1,945	48

There were 418 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

Name	Ordinary shares	
	Number held	Percentage of issued shares
DAGMAR DOLBY	19,776,389	17.29
MYER & MYER PTY LTD	13,113,244	11.47
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,142,482	10.62
NEBULA NEURO PTY LTD	8,000,000	7.00
ANACACIA PTY LIMITED	6,346,216	5.55
BETA GAMMA PTY LTD	4,500,000	3.93
MR BRADLEY JOHN O'CONNOR	4,228,117	3.70
CITICORP NOMINEES PTY LIMITED	4,036,069	3.53
MPYER INVESTMENTS PTY LTD	3,895,792	3.41
BOND STREET CUSTODIANS LIMITED	3,300,947	2.89
DR PETER ANTHONY BICK & MS MELANIE JO GRIBBLE	2,500,000	2.19
MYER & MYER PTY LTD	2,330,000	2.04
MR DAVID ALEXANDER SIMPSON & MRS DAWN GENTRY SIMPSON	1,263,689	1.11
MR ALISTAIR DAVID STRONG	1,170,000	1.02
NATIONAL NOMINEES LIMITED	1,144,990	1.00
MUTUAL TRUST PTY LTD	1,129,806	0.99
GWYNVILL TRADING PTY LTD	1,104,290	0.97
ALEXANDER 2006 LLC	1,059,138	0.93
HOWITT NOMINEES PTY LTD	1,000,000	0.87
J P MORGAN NOMINEES AUSTRALIA LIMITED	748,873	0.65
	92,790,042	81.14

Unquoted equity securities

	Number on issue	Number of holders
Options to acquire ordinary shares, issued under the Directors' and Employees Share Option Plan	13,751,250	48

C. Substantial holders

Substantial holders in the Company are set out below:

Name	Number held	Percentage
DAGMAR DOLBY	19,776,389	17.29
MARTYN MYER (held through Myer & Myer Pty Ltd, Mpyer Investments Pty Ltd and Martyn Myer)	19,607,786	17.15
FIL Limited	11,426,018	9.99
ALAN FINKEL (held through Nebula Neuro Pty Ltd & Howitt Nominees Pty Ltd)	9,000,000	7.87
	59,810,193	52.30

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.

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