

20  
15 ANNUAL REPORT



COGSTATE

COGSTATE LTD (ASX:CGS) IS A LEADING COGNITIVE SCIENCE COMPANY DELIVERING SOFTWARE AND SERVICES TO OPTIMISE THE MEASUREMENT OF COGNITION IN CLINICAL TRIALS, ACADEMIC RESEARCH, HEALTHCARE AND BRAIN INJURY. COGSTATE IS A PIONEER IN COMMERCIALISING RAPID, RELIABLE AND HIGHLY SENSITIVE COMPUTERISED COGNITIVE TESTS AND PROVIDES EXPERT SUPPORT FOR TRADITIONAL NEUROLOGICAL ASSESSMENTS TO DRIVE HIGHER QUALITY OUTCOME MEASURES.

Cogstate clients include the world's leading biopharmaceutical companies; military and elite sporting organisations; physicians and patients; renowned academic institutions and public-private partnerships. With more than 90 employees and a global network of expert neuropsychologist consultants across 25 countries, the unique intersection of science, innovation and delivery is at the core of everything we do.

In our clinical trials business, Cogstate provides both software and professional services for clinical research programs seeking to demonstrate a drug's impact on cognition. With solutions spanning the clinical trial process from study design to final statistical analysis; Cogstate's latest innovation, Precision Recruitment™, is an online pre-screening portal that accelerates the identification of qualified clinical trial participants in high-need indications such as Alzheimer's disease.

## CLINICAL TRIALS

### PHARMA

### BIOTECH

- Measure drug efficacy & safety
- Precision Recruitment
- Real-time monitoring
- Phase I - IV
- CNS (Alzheimer's disease, Mild Cognitive Impairment, Multiple Sclerosis, Schizophrenia, Depression), Oncology, Pediatric, Cardiometabolic

## HEALTHCARE

### PHYSICIANS

### HEALTHCARE SYSTEMS, PAYERS

- Easy to administer and interpret
- Dementia (Mild Cognitive Impairment, Mild and Moderate Alzheimer's disease), Depression, Concussion

## COGSTATE CORE CAPABILITIES



Computerised  
Cognitive Testing



Scientific  
Expertise



Reporting  
& Analysis

Flexibly configured for unique solution sets and outputs

## RESEARCH COLLABORATIONS

### ACADEMIC

### PUBLIC-PRIVATE PARTNERSHIPS

- Managed & self-serve studies
- De-identified datasets for many indications
- Validation of new tasks and indications

## BRAIN INJURY

### PROFESSIONAL & AMATEUR SPORTS

### MILITARY

- Concussion and Traumatic Brain Injury
- Assess and monitor
- Real-time, simple to Interpret reports

# BUSINESS MILESTONES



## RENEWED FOCUS, IMPROVED PERFORMANCE

Stated strategy to focus on the core business of Cogstate and reduce cash burn has delivered on our goal of driving improved top and bottom line performance; sale of the Axon Sports training business finalised, resulting in immediate cost reductions.



## RECORD SALES CONTRACTS

Record year for contracts signed, with US\$23.7M contracts signed in FY15, an increase of 165%.



## EXPANDED OFFERING

Commercialisation of Precision Recruitment™, a new cognitive screening product designed to enhance clinical trial recruitment—delivered initial revenues.



## ADVANCING THE SCIENCE

Cogstate continues to enhance its reputation as a leader in the detection of Mild Cognitive Impairment associated with Alzheimer's disease, through its involvement in the major landmark public-private partnership studies.

# BUSINESS OUTLOOK

## **RECORD CONTRACTED FUTURE REVENUE, STRONG STARTING POSITION**

Growth in sales contracts for the Clinical Trials business means Cogstate entered the new financial year with contracted future revenue of A\$21.4M secured, A\$10.9M of which will be realised in FY16.

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## **MAINTAINING MOMENTUM**

Momentum in Clinical Trials is expected to continue with industry trends driving increased research activity, and a fully resourced commercial team executing a targeted sales strategy in current and emerging areas where cognition is measured.

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## **DRIVING EXCELLENCE IN DELIVERY**

Efforts underway for building the Precision Recruitment revenue line following full commercial launch.

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## **CONTINUED SCIENTIFIC LEADERSHIP**

Maintain our focus on being recognised as the leaders in measuring cognition, deploying scientific innovations that deliver a competitive advantage and new revenue streams.

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## **PROFITABLE FY16 EXPECTED**

Forecasting a return to positive EBIT (earnings before interest and tax) from continuing operations for the 2016 financial year, at 30 June 2015 exchange rates.



# CHAIRMAN'S LETTER

## DEAR FELLOW SHAREHOLDERS,

The Board of Directors and I are pleased to present the 2014/2015 Annual Report of Cogstate Limited.

At Cogstate our goal is to be the leaders in measuring cognition to guide decision-making in clinical trials, academic research, healthcare and brain injury. Our scientifically validated and highly sensitive technology, along with our associated suite of services, is the tool of choice for many of the world's leading pharmaceutical / biotechnology companies and scientific researchers. The ability to measure and monitor cognitive function is key to advancing studies into a whole range of new therapeutics.

Over the past year, the performance of the business has reinforced the high standing of Cogstate in its field. We signed a record number of Clinical Trials sales contracts valued at US\$23.7 million, a substantial increase of 165% on the previous year. Given the duration of our sales contracts, this strong sales result meant that we entered the 2016 financial year with significant clinical trial revenue already secured. At the time of going to print, we have already secured A\$14.9 million of clinical trials revenue for the 2016 financial year and we expect our business development efforts will again produce an excellent sales result that will add to the revenue already secured.

Overall, we recorded a net loss of A\$2.9 million for the 2015 financial year, excluding the write-down of intangible assets. However, a strong financial performance in the second half of the year, where we recorded positive EBITDA (earnings before interest, tax and amortisation) of A\$0.22 million, as well as a return to a cash flow positive position in the fourth quarter, have together given us the confidence to forecast a return to profitability in the 2016 financial year. This improved business performance is a direct result of our stated strategy to focus on the core business and reduce cash burn, a strategy that has delivered performance improvement to both the top and bottom lines.

Importantly, we have confidence that the current momentum will continue. We have seen a direct correlation between the performance of our clinical trials business and strategies that we initiated in 2014 and 2015. We invested in a commercial sales team, refined our sales process and have a targeted sales strategy focusing on priority areas, where there are compelling drivers to use the Cogstate technology and associated services.

Our presence in both commercial and scientific research communities gives us deep insights into the industry in which we work, and several industry trends currently appear very favourable for driving our business development program. Clinical trial activity is increasing in the area of major psychiatric disorders, specifically

schizophrenia and depression where cognition is an important end point; recent regulatory changes require that cognition be measured and monitored in many clinical trials for drugs for pediatric patients. Growing concerns of neurotoxicity in areas such as oncology and cholesterol lowering drugs have impacted demand in these areas; and as the industry strives to find a disease modifying drug for Alzheimer's disease, trials are now increasingly focused on patients in the early stages of this condition where Cogstate's online screening tool, Precision Recruitment, can add significant value given our ability to identify cognitive change in asymptomatic individuals.

These trends are driving demand for our traditional suite of clinical trial software and services, but also open the door for our new web-based cognitive screening product, Precision Recruitment. Following a period of beta testing

Behind the scenes, we continue to advance Cognigram, our product for the healthcare market, albeit in a measured fashion to constrain expenditure. We continue to earn modest revenues from sales of the test in Canada, which remains an important market for honing our commercialisation plans.

We were very pleased to welcome Dr Alan Finkel AO to the Board of Directors. Dr Finkel is a very highly regarded member of the Australian academic and scientific research community, with a strong background in neuroscience. He also has a high degree of business acumen and success in growing and leading technology based, medical device and software companies. As a long-time supporter of Cogstate, his appointment coincided with a private placement of 8 million shares to an entity controlled by Dr Finkel, raising an additional A\$2 million in capital.

**“Today our clinical trials portfolio of services for cognitive assessment is the deepest in the industry. It includes solutions for the full continuum of the clinical trial process, starting with patient recruitment through to safety monitoring and efficacy endpoints.”**

and initial sales, the full commercial launch of Precision Recruitment is now underway. Precision Recruitment provides a method to remotely pre-screen trial candidates who meet the criteria for cognitive function before they present at a research site. The potential to expedite the recruitment process, eliminate the time and cost wasted in assessing unsuitable patients and the ability to build a registry of potential trial candidates who can be tracked over time is highly attractive and valuable, and complementary to our core Clinical Trials business. We believe this has the potential to be a significant additional revenue stream in years to come and expect to see additional growth in the 2016 financial year.

Also in line with our strategy, we completed the sale of the Axon Sports training business in November 2014 to a USA-based investment company. Cogstate retained its concussion testing products and intellectual property, and will receive an undisclosed percentage of all revenues earned on the Axon Sports suite of training products over the next five years. We have already received our first, albeit modest, royalty payments from the sale.

As we look to the year ahead, we are confident in our vision, our strategy and our prospects. We look forward to a much improved performance with continued focus on responsible fiscal management, improvement of margins and investment in innovation. Integral to this success is the dedication, hard work and vision of our entire Cogstate team, and I thank all of them for their commitment.

I also thank you, our shareholders, for your ongoing support of the Company. I hope you share our excitement about your company's path and the opportunity we have, together, to make a meaningful impact on global health through the measurement of cognition.

Yours sincerely,



**Martyn Myer AO, CHAIRMAN**

# SUMMARY OF FINANCIAL PERFORMANCE

|  | 1ST HALF<br>\$'000,000 | 2ND HALF<br>\$'000,000 | FY15<br>\$'000,000 | FY14<br>\$'000,000 |
|--|------------------------|------------------------|--------------------|--------------------|
| <b>Clinical Trials</b>                     |                        |                        |                    |                    |
| · Revenue                                  | 5.56                   | 9.62                   | 15.18              | 10.69              |
| · Cost of Sales                            | -2.87                  | -3.57                  | -6.44              | -5.22              |
| Gross Margin                               | 2.69                   | 6.05                   | 8.74               | 5.47               |
| · Net Recovery of Pass-through Costs       | 0.09                   | 0.07                   | 0.16               | 0.11               |
| <b>Total Clinical Trials Contribution</b>  | <b>2.78</b>            | <b>6.12</b>            | <b>8.90</b>        | <b>5.58</b>        |
| Precision Recruitment Contribution         | 0.23                   | 0.21                   | 0.44               | 0.06               |
| Healthcare Contribution                    | -0.10                  | -0.13                  | -0.23              | -0.37              |
| Sport Contribution                         | -0.09                  | -0.02                  | -0.11              | -0.23              |
| <b>Total Business Unit Contribution</b>    | <b>2.82</b>            | <b>6.18</b>            | <b>9.00</b>        | <b>5.04</b>        |
| Overhead Costs – Continuing Operations     | -5.42                  | -6.60                  | -12.02             | -8.38              |
| Overhead Costs – Discontinued Operations   | -0.34                  | -                      | -0.34              | -0.84              |
| Other Income                               | 0.41                   | 0.64                   | 1.05               | 0.31               |
| <b>EBITDA</b>                              | <b>-2.53</b>           | <b>0.22</b>            | <b>-2.31</b>       | <b>-3.87</b>       |
| Amortisation & Depreciation                | -0.33                  | -0.41                  | -0.74              | -0.68              |
| Impairment of Assets - Refer Notes 16 & 17 | 0.00                   | -2.16                  | -2.16              | 0.00               |
| Income Tax Benefit                         | 0.20                   | -0.05                  | 0.15               | 0.66               |
| <b>Loss After Tax</b>                      | <b>-2.66</b>           | <b>-2.40</b>           | <b>-5.06</b>       | <b>-3.89</b>       |

As structural changes implemented earlier in the year began to take effect, Cogstate significantly increased Clinical Trials revenue and recorded an EBITDA profit for the second half of the financial year. The profit contribution from the Clinical Trials business of almost A\$6 million for the second half was A\$3.3 million more than the first half and A\$0.7 million more than the full 2014 financial year.

## SERVING LEADING BIOPHARMA

Cogstate works with

**9** of the top\* **10**

sponsors for Alzheimer's disease drug development

Cogstate works with

**16** of the top\*\* 25 pharma companies in the world

# COGSTATE EXPERIENCE

## ACADEMIC RESEARCH



**>1000**  
ACTIVE/COMPLETED  
STUDIES



**67**  
INDICATIONS



**>300**  
PEER REVIEWED  
JOURNALS

## CLINICAL TRIALS



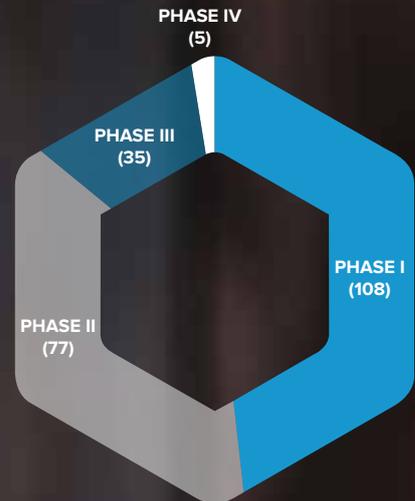
**225**  
ACTIVE/COMPLETED  
STUDIES



**47**  
COUNTRIES



**>65**  
LANGUAGES



### TOP INDICATIONS

Alzheimer's Disease, Schizophrenia  
Major Depressive Disorder,  
Parkinson's Disease, ADHD, Pain



## GOING BEYOND CNS

COGSTATE SUPPORTS THE MEASUREMENT OF COGNITION IN EMERGING AREAS LIKE:

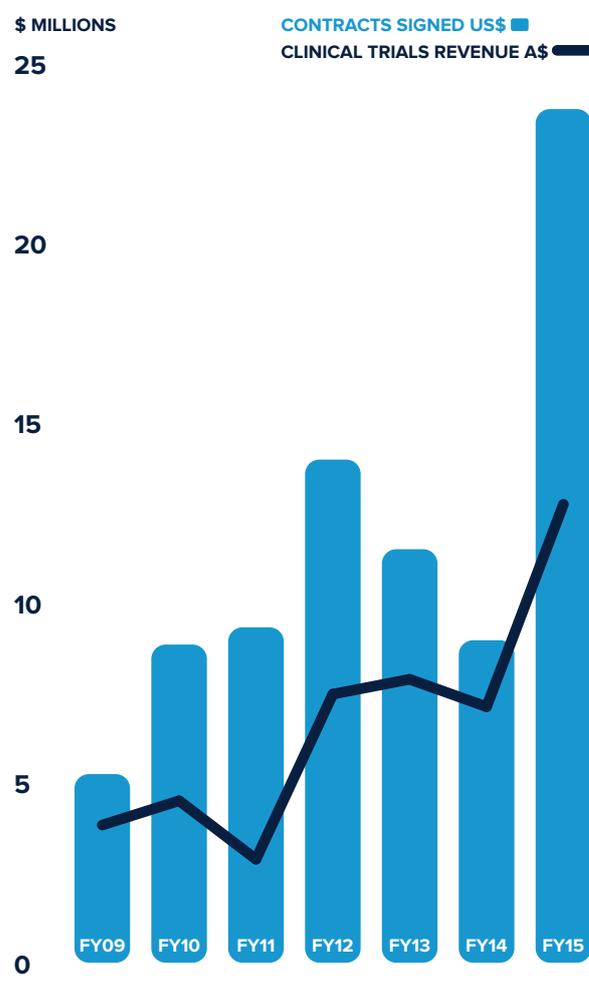
- Oncology immunotherapies, including PD-1 inhibitors
- Cholesterol lowering drugs, including PCSK9 inhibitors
- Pediatric drug development programs across multiple indications

# COMMERCIAL BUSINESS DEVELOPMENT TEAM IMPLEMENTED

During the financial year Cogstate moved from a peer-to-peer science-based sales model to a full commercial business development team. In November 2014, we appointed an experienced Chief Commercial Officer, complemented by a Marketing Director, Proposals Manager, and two Business Development Directors (responsible for east and west coast USA) by 30 June 2015.

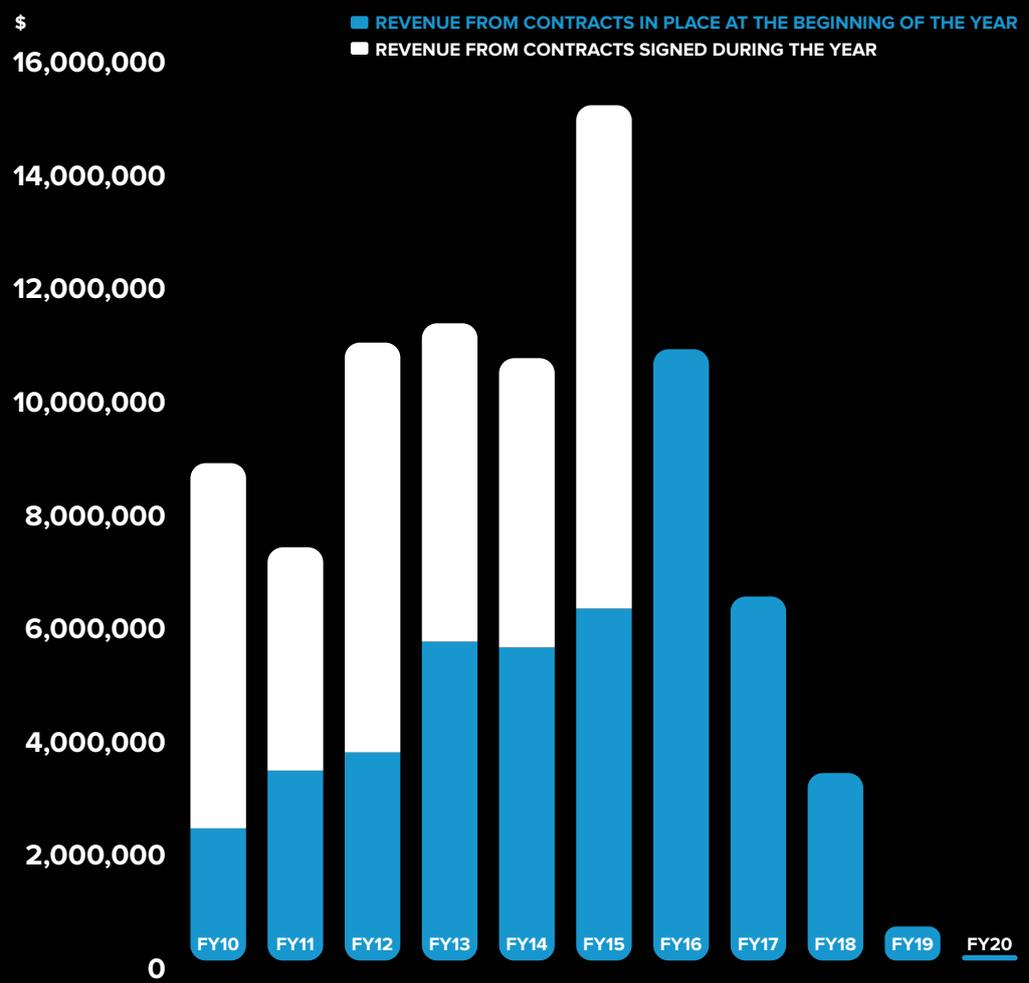
The new business development team had an immediate effect and by 30 June 2015 had contributed to a record year for new sales contracts, with US\$23.7 million of new sales contracts, an increase of 165% on the previous year. As a result of increased sales contracts, Clinical Trials revenue increased 42% to A\$15.18 million for the year to 30 June 2015. Of the full year Clinical Trials revenue result, A\$9.62 million of that revenue (63%) was generated in the second half of the financial year.

## CLINICAL TRIALS CONTRACTS & REVENUE



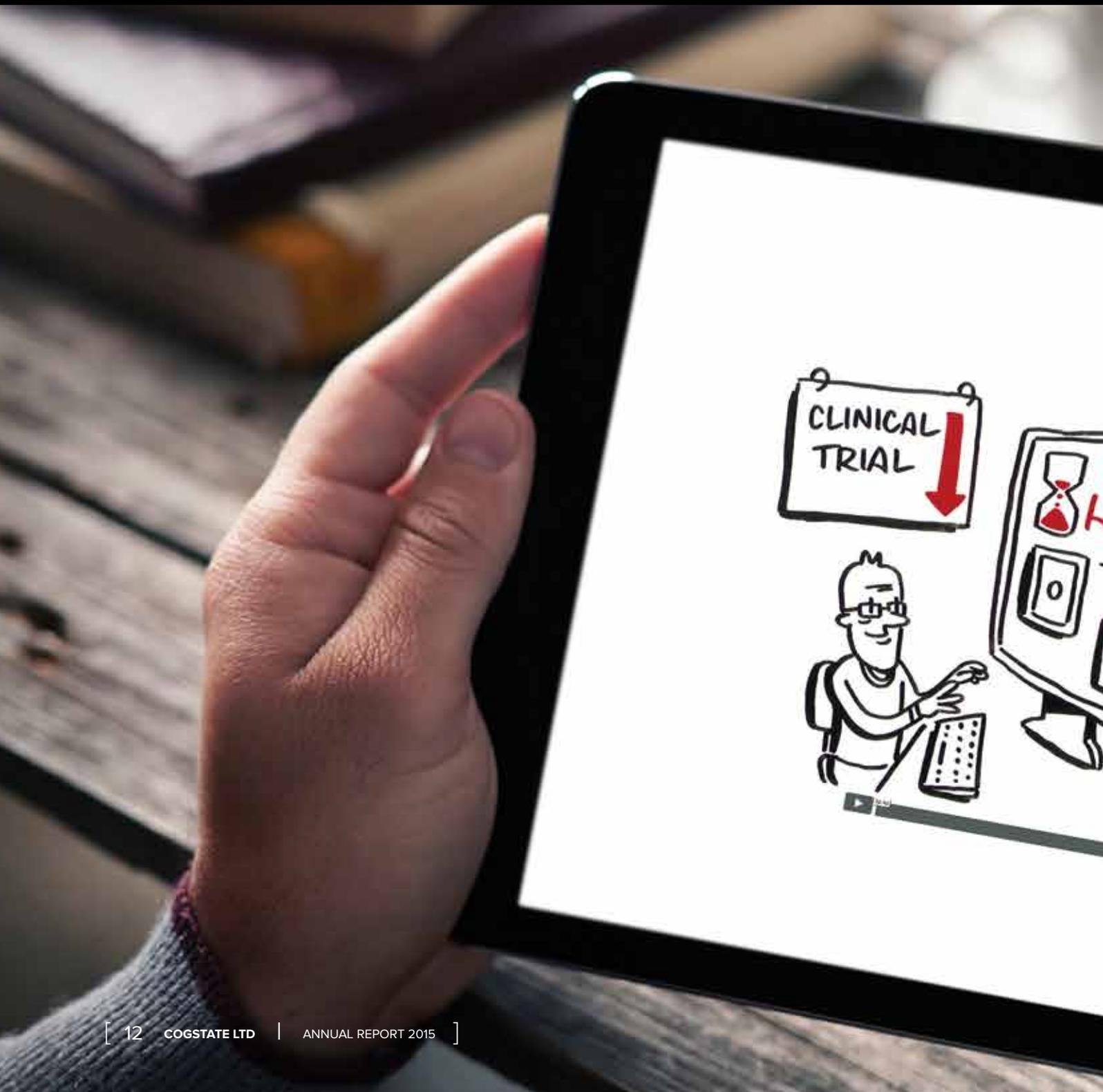
### CONTRACTED REVENUE POSITION

Cogstate begins the 2016 financial year with A\$21.4 million of contracted Clinical Trials revenue to be recognised in future periods, of which A\$10.9 million will be recognised in the 2016 financial year.



# PRECISION RECRUITMENT™ LAUNCH

Clinical trials face mounting challenges in locating and identifying cognitively impaired subjects, particularly those with early signs of cognitive decline; resulting in logistical complexity, expensive recruitment costs and delayed clinical trial enrollment. Further, sponsors lack real-time visibility into clinical trial recruitment status, so progress against enrollment goals is fragmented across the multitude of clinical trial sites and geographies; often uncorrected until studies miss major milestones.



Conscious of these challenges, Cogstate has developed an innovative solution and online screener for recruiting patients at various levels of the dementia spectrum that is fully compatible with existing clinical trial recruitment workflows – Precision Recruitment.

Following significant development work, a beta version of Precision Recruitment was launched in March 2015 and a full commercial launch occurred in July 2015.

Precision Recruitment generated A\$0.5 million of revenue during the 2015 financial year, but of more importance is the significant interest we have from prospective customers.



To view this 2 minute video that succinctly describes how Cogstate's online screener delivers remote cognitive assessment, please go to [www.cogstate.com/?p=4024](http://www.cogstate.com/?p=4024)

# DIVESTMENT OF AXON SPORTS TRAINING BUSINESS

As part of the increased focus on the core technology and the commercial opportunities in clinical trials and healthcare, a decision was made to dispose of the Axon Sports training business, with the subsequent sale finalised on 30 November 2014. While the sale did not generate up-front cash proceeds, Cogstate will receive a share of future revenue and upon the sale was able to immediately cease all expenditure associated with the business.

The sale of the training business allowed for a reduction in costs, but more importantly it improved the focus of management and allowed product development resources to be deployed on Precision Recruitment.

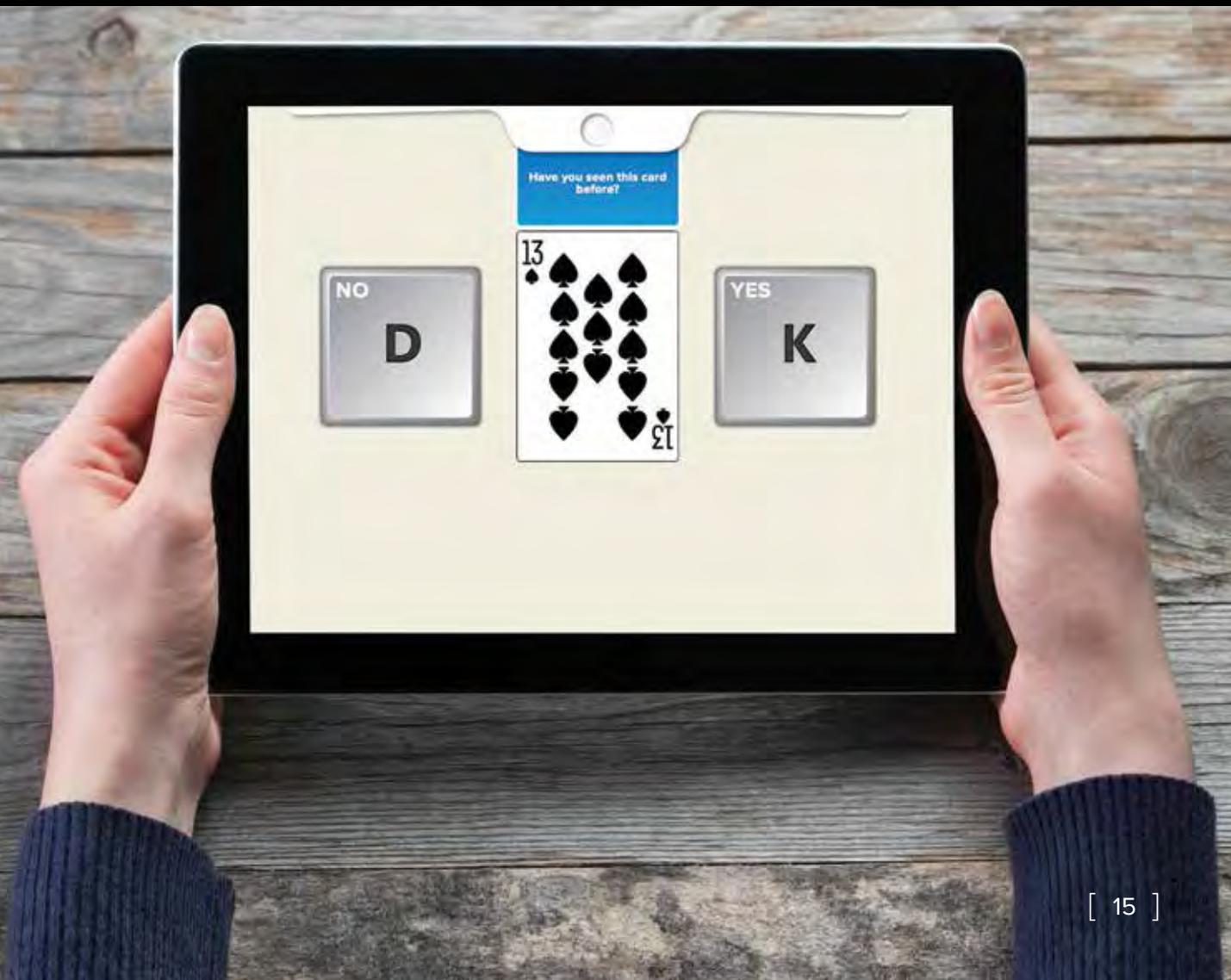
For the year to 30 June 2014, the discontinued Axon Sports training business recorded a loss before income tax of A\$1.45 million. During the five months from 1 July 2014 to the sale of the business on 30 November 2014, the loss before income tax from the discontinued operations was A\$0.49 million. Please see note 12 to the financial statements for further detail on the discontinued operations.

Following the sale, the purchaser has assumed all ongoing costs and liabilities, and therefore Cogstate will not incur any costs in the 2015 financial year.

# NEW TECHNOLOGY PLATFORM

Throughout the year, Cogstate committed to a complete rebuild of a new technology platform that would enable Cogstate to utilize the benefits provided by new hardware, such as tablet computing, as well as interactive software design.

Precision Recruitment, launched in July 2015, is the first instantiation of the new software platform and over the next 12 months we will begin to migrate Clinical Trials and Research customers to the new software platform. Cogstate's internal product development team has grown to almost 30 full time employees, providing expertise around software design and integration, programming, scientific oversight, quality assurance and quality control.



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

Cogstate Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian securities exchange (ASX:CGS).

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report.

The financial statements were authorised for issue by the directors on 18 August 2015.



# CORPORATE DIRECTORY

## DIRECTORS

Martyn Myer AO BE, MESC, MSM - Chairman  
Brad O'Connor B Bus, CA  
David Simpson BA (Honours) FAICD  
Richard van den Broek CFA  
David Dolby BSE, MBA  
Alan Finkel AO FTSE, FIEAust

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## SECRETARY

Claire Newstead-Sinclair BBus, CA

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## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 2, 255 Bourke Street, Melbourne Vic 3000 Australia

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## SHARE AND DEBENTURE REGISTER

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

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## AUDITOR

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

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## SOLICITORS

Clayton Utz  
333 Collins Street, Melbourne Vic 3000

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## BANKERS

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

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## WEBSITE

[www.cogstate.com](http://www.cogstate.com)

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# REVIEW OF OPERATIONS AND ACTIVITIES

## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Cogstate Ltd is a leading cognitive science company focussed on optimising the measurement of cognition to guide decision-making. Cogstate commercialises rapid, reliable and highly sensitive computerised cognitive tests for Clinical Trials, Academic Research and Healthcare.





In the Clinical Trials market, Cogstate technology and associated services are used by pharmaceutical and biotechnology companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials. Since sales into the Clinical Trials market began in 2004, Cogstate has secured agreements with top pharmaceutical companies including Pfizer, AstraZeneca, Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Novartis, Lundbeck, Daiippon Sumitomo, Targacept, Otsuka, and Servier.



Cogstate regularly collaborates with academics to support their research initiatives. Cogstate has participated in over 1,000 active or completed academic research studies in more than 70 different indications. This collaborative work has resulted in over 300 peer reviewed publications of Cogstate data. In Alzheimer's disease, Cogstate is at the forefront of leading prevention trials via its participation in key studies such as Anti-Amyloid Treatment in Asymptomatic Alzheimer's study (A4), the Dominantly Inherited Alzheimer Network Observational Study (DIAN), the Australian Imaging, Biomarker & Lifestyle Study of Ageing (AIBL) and the Alzheimer's Disease Neuroimaging Initiative (ADNI).



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

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

**ON 30 NOVEMBER 2014, COGSTATE SOLD THE AXON SPORTS TRAINING BUSINESS TO A USA BASED INVESTMENT COMPANY.**

Under the terms of the sale, Cogstate did not receive any upfront consideration but is entitled to a percentage of all revenue over the next 5 years. The purchaser assumed all ongoing costs and liabilities of the Axon Sports training business, including all personnel, development, marketing and promotional costs.

On 12 May 2015, the company issued

**8,000,000 shares**

at an issue price of \$0.25 via private placement to an entity controlled by Dr Alan Finkel.

## GROUP OVERVIEW

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

- **Cogstate Ltd:** founded in 1999 and listed on the Australian Stock Exchange in February 2004;
- **Cogstate Inc:** incorporated in 2006 and wholly owned by Cogstate Ltd, Cogstate Inc. employs USA based staff, except those employed by Cogstate Sports LLC;
- **Cogstate Sport Inc:** incorporated in 2010 and wholly owned by Cogstate Inc to make the investment in Cogstate Sports LLC;
- **Cogstate Sport LLC (formerly Axon Sports LLC):** the remaining 50% of Axon Sports LLC was acquired by Cogstate Sport Inc in August 2011, making it a wholly owned subsidiary of Cogstate Sport Inc;
- **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; and
- **Cogstate Spain SL:** incorporated in 2013 and wholly owned by Cogstate Ltd as an operational office for the Clinical Trials business in Europe.





COGSTATE HAS

## 4 PRIMARY OFFICES

IN THE FOLLOWING LOCATIONS:

- an Australian head office based in **Melbourne**;
- two locations in the USA including a primary office in **New Haven, CT** and a smaller office in **New York, NY**;
- and a European presence in **Barcelona, Spain**.

**Cogstate has remote staff and a network of expert neuropsychologist consultants across 25 countries.**

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Cogstate Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015 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
- Richard van den Broek
- David Dolby
- Alan Finkel AO (appointed 12 May 2015)
- Rodolfo Chapa (appointed 24 August 2011, resigned 15 September 2014)

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

Alan Finkel was appointed as a director on 12 May 2015 and continues in office at the date of this report.





## INFORMATION ON DIRECTORS

**Martyn Myer AO**  
**BE, MEdSc, MSM.**  
**Chair - Non-Executive Chairman**

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

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

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

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

**David Simpson**  
**BA (Honours) FAICD**  
**Non-Executive Director**

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

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

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

Mr van den Broek is an independent non-executive Director. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee. Mr van den Broek is founder and managing partner of HSMR Advisors LLC, a U.S. based fund manager with an investment emphasis on small and mid-cap biotech public companies.

From 2000 through 2003 he was a Partner at Cooper Hill Partners, LLC, an investment fund focussed on the healthcare sector. Prior to that Mr. van den Broek had a ten year career as a biotech analyst, starting at Oppenheimer & Co., then Merrill Lynch, and finally at Hambrecht & Quist.

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

- Pharmaxis Ltd - Appointed: April 2009 Retired 19 September 2013

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

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

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

**Alan Finkel AO**  
**PhD, FTSE, FIEAust**  
**Non-Executive Director**

Mr Alan Finkel is a non-executive Director appointed on 12 May 2015. He sits on the Audit and Compliance Committee as well as the Remuneration and Nomination Committee.

Dr Finkel is Chancellor of Monash University and President of the Australian Academy of Technological Sciences and Engineering. He is a respected neuroscientist, electrical engineer, entrepreneur and philanthropist. Highlights of Dr Finkel's business career include founding Axon Instruments, a California-based, ASX-listed supplier of electronic and robotic instruments used in neuroscience research and pharmaceutical drug development. Axon Instruments was acquired by US based Molecular Devices Corporation for \$140 million in 2004, after which Dr Finkel took on the role of Chief Technology Officer at Molecular Devices.

He has also served as Chief Technology Officer for Better Place Australia, and is the Executive Chairman of Stile Education, an education technology company based in Melbourne. He is also Executive Publisher of Cosmos Magazine.

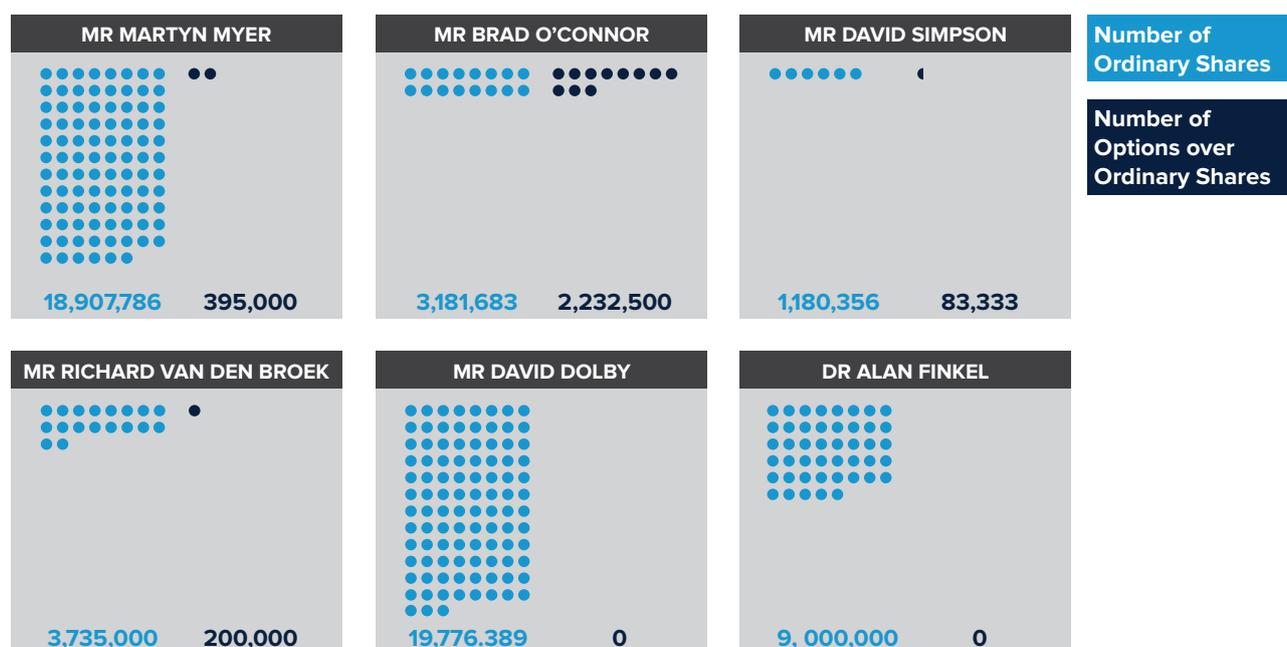
Dr Finkel has served as the Chancellor of Monash University since January 2008 and has an extensive and varied career in academia, including neuroscience research, business and related philanthropic initiatives. He completed his doctoral studies in electrical engineering at Monash University, and served as a neuroscience research fellow at the John Curtin School of Medical Research at the Australian National University.

### COMPANY SECRETARY

The company secretary is Ms Claire Newstead-Sinclair BBus, CA. Ms Newstead-Sinclair was appointed to the position of company secretary in 2010, prior to which she worked as a Finance Manager for OAMPS Insurance Brokers, part of the Wesfarmers Group. Claire is a Chartered Accountant who holds a Bachelor of Business degree.

### 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:



### PRINCIPAL ACTIVITIES

The Group's principal continuing activity during the year was the sale of computerised tests of cognition and associated services including scientific consultancy, project management, data management, statistical analysis and reporting. Principally Cogstate technology and associated services are utilised in four market segments; Clinical Trials, Sports, Healthcare and Precision Recruitment.

In the Clinical Trials segment, products 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.

In the sports market, the same technology is used to help doctors to determine when an athlete has recovered from a concussive brain injury. On 30 November 2014, Cogstate sold the Axon Sports training business to an American company.

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

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

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

## OPERATING RESULTS FOR THE YEAR

Cogstate produced a substantial revenue increase in 2014-15. The significant increase in revenue from last year reflects a record year in the number of new Clinical Trials contracts signed.

Total recognised revenue was \$16.07 million for the year ended to 30 June 2015, an increase of 41.9% over the previous year's result. The company posted a Net Loss After Tax of \$5.06 million. Following a first half operating loss after tax of \$2.66m, a second half loss of \$2.40m was recorded. The second half result was impacted by \$2.16m of impairment of assets. The operating loss after tax before these accounting adjustments was \$0.24m and reflects the full effect of prior year cost savings, the divestment of the Axon Sports training business on 30 November 2014, first significant revenues from the Precision Recruitment product and the renewed focus on the sales process and a fully resourced commercial sales team. In the 2016 financial year, the Company should continue to see the benefit from all of these changes.

## 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 (2014: \$nil).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 30 November 2014, Cogstate sold the Axon Sports training business to a USA based investment company. Under the terms of the sale, Cogstate did not receive any upfront consideration but is entitled to a percentage of all revenue over the next 5 years. The purchaser assumed all ongoing costs and liabilities of the Axon Sports training business, including all personnel, development, marketing and promotional costs. There is no receivable or contingent asset to be taken to account as at 30 June 2015. The total loss on sale has been included in the statement of comprehensive income.

Rodolfo (Rudy) Chapa resigned from the position of non-executive director on 15 September 2014. Dr Alan Finkel was appointed to the position of non-executive director on 12 May 2015.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Throughout the 2016 financial year, Cogstate will strive to improve the financial performance of the company, focussing on revenue growth from Clinical Trials and Precision Recruitment.

Cogstate enters the 2016 financial year with contracted future Clinical Trials revenue of \$21.3 million, of which \$10.9 million will be realised in the 2016 financial year. Cogstate's business development team will seek growth in the value of Clinical Trials sales contracts and, if successful, such growth will generate revenue growth.

Cogstate will seek to control costs of delivery in respect of Clinical Trials contracts, thereby maintaining or improving gross margins for the Clinical Trials business.

With the full commercial launch of Precision Recruitment in July 2015, Cogstate will seek to increase use of the technology in Alzheimer's disease clinical trials. It will be important for Cogstate to demonstrate that the use of the online screening technology can reduce costs and timelines for the sponsors of clinical trials and if successful, this should result in an increase in sales contracts for Precision Recruitment.

Cogstate will control expenditure in respect of the sport and healthcare markets at or around current levels.

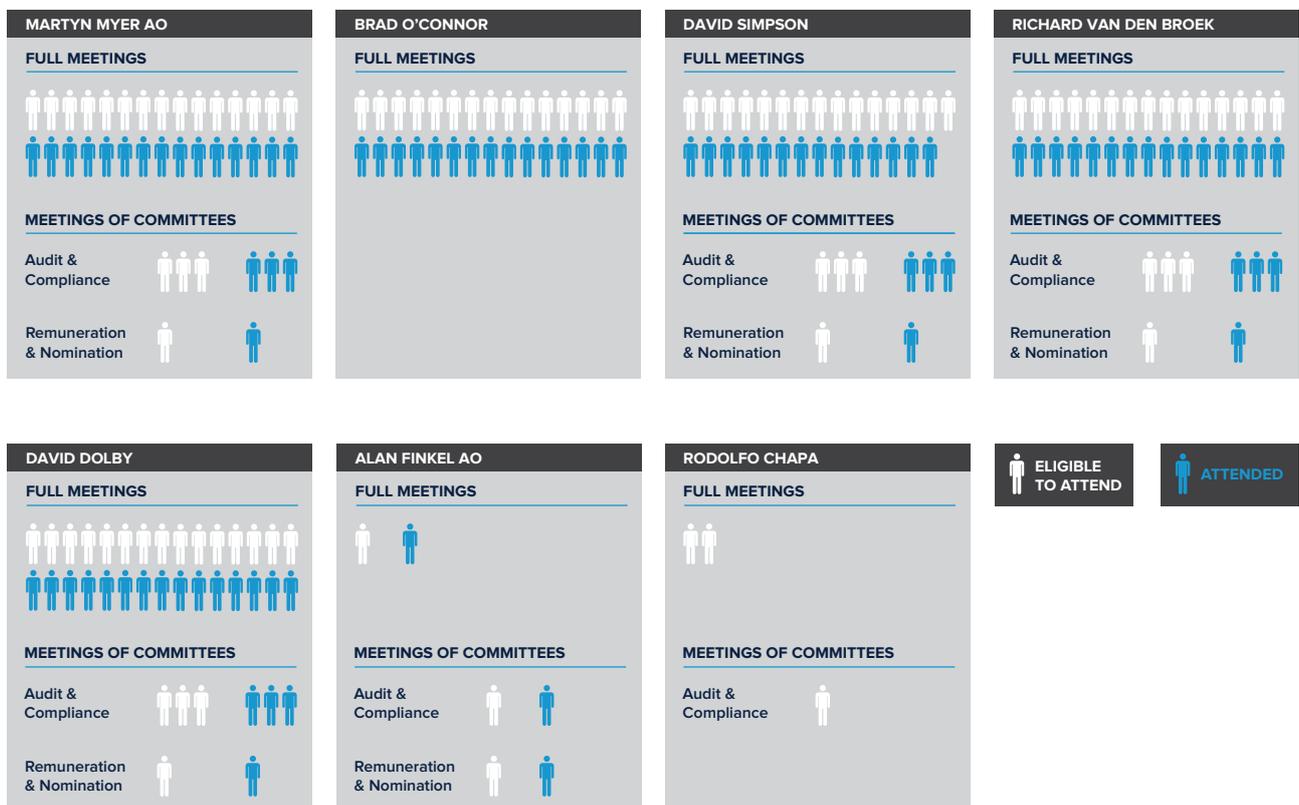
The results of the Group, revenue and profit, will continue to be impacted by movements in the Australian dollar, relative to the US dollar. However, with revenue denominated in US dollars and a large percentage of costs in US dollars, the impact of foreign currency movements is not as significant for Cogstate as it has been in prior 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 2015, and the numbers of meetings attended by each director were:



### AUDIT & COMPLIANCE

Martyn Myer (c) | David Simpson | Richard van den Broek | David Dolby | Alan Finkel



### REMUNERATION & NOMINATION

Martyn Myer (c) | David Simpson | Richard van den Broek | David Dolby | Alan Finkel

## UNISSUED SHARES

As at the date of this report, there were 12,515,416 unissued ordinary shares under employee options. Refer to the remuneration report and Note 26 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 2015 on the exercise of options granted under the Cogstate Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

| DATE OPTIONS EXERCISED | ISSUE PRICE OF SHARES | NUMBER OF SHARES ISSUED |
|------------------------|-----------------------|-------------------------|
| 27/8/2014              | \$0.24                | 50,000                  |
| 17/9/2014              | \$0.22                | 33,333                  |
| 17/9/2014              | \$0.24                | 10,000                  |
| 23/2/2015              | \$0.1027              | 25,000                  |
| 1/6/2015               | \$0.10                | 407,872                 |
|                        |                       | 526,205                 |

## INSURANCE OF OFFICERS

During the financial year, the Group has paid premiums in respect of a contract insuring all the directors of Cogstate Limited against costs incurred in defending proceedings for conduct involving any wrongful act by a director. Under the policy, the Company cannot release to any third party or otherwise publish the amount of the premium. Accordingly, the Company relies on section 300 (9) of the Corporations Act to exempt it from the requirement to disclose the premium amount of the relevant policy.

## NON-AUDIT SERVICES

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

|  | CONSOLIDATED   |            |
|--|----------------|------------|
|  | 2015<br>\$     | 2014<br>\$ |
| <b>Taxation services</b>                         |                |            |
| Pitcher Partners firm:                           |                |            |
| Tax compliance services                          | 70,850         | 53,900     |
| <b>Total remuneration for taxation services</b>  | <b>70,850</b>  | 53,900     |
| <b>Other services</b>                            |                |            |
| Pitcher Partners firm:                           |                |            |
| Capital raising related services                 | -              | 22,810     |
| Network firms of Pitcher Partners                | 63,114         | 51,525     |
| <b>Total remuneration for other services</b>     | <b>63,114</b>  | 74,335     |
| <b>Total remuneration for non-audit services</b> | <b>133,964</b> | 128,235    |

## 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 2015, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

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 'K L Byrne'.

K L BYRNE  
Partner  
18 August 2015

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

PITCHER PARTNERS  
Melbourne

# AUDITED REMUNERATION REPORT

The directors are pleased to present your company's 2015 remuneration report which sets out remuneration information for Cogstate Limited's non-executive directors, executive directors and other key management personnel.

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the three executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives and general managers of the Parent and the Group.

## DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

| NAME   | POSITION  |
|--|---|
| <b>Non-executive and executive directors</b> |   |
| see pages 24 to 25 above                     |   |
| <b>Other key management personnel</b>        |   |
| Prof Paul Maruff                             | Chief Scientific Officer                        |
| Sophie Egholm                                | President Clinical Trials (until 13 March 2015) |
| Jason Sada                                   | President Axon Sports (until 30 November 2014)  |
| Craig Gravina                                | Chief Technology Officer                        |
| Lammert Albers                               | Chief Commercial Officer                        |

## REMUNERATION PHILOSOPHY

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

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

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

## ROLE OF THE REMUNERATION COMMITTEE

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

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

## REMUNERATION STRUCTURE

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

## NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

### OBJECTIVE

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

### STRUCTURE

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

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

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

The remuneration of non-executive directors for the year ended 30 June 2015 is detailed later in this report.

## EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

### OBJECTIVE

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

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

### STRUCTURE

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

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

## BASE PAY AND BENEFITS

### OBJECTIVE

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

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

### STRUCTURE

Executives receive their fixed remuneration as a salary payment.

## SHORT-TERM INCENTIVES (STI)

### OBJECTIVE

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

### STRUCTURE

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (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 2015 financial year, most STI payments were based on 67% individual KPI's and 33% company profitability targets. The company profitability targets are tiered levels above the budgeted profit target for the year. It is noted that profitability targets were not achieved in the 2015 financial year. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

The aggregate pool of potential STI payments has been approved by the Remuneration Committee.

## LONG-TERM INCENTIVES (LTI)

### OBJECTIVE

The objective of the LTI plan is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

### STRUCTURE

LTI grants to executives are delivered in the form of options.

The options awarded may be subject to performance specific hurdles. Historically, the options have not been subject to performance hurdles because of the changing nature of the company and its changing focus during its formative years. However, options issued to Brad O'Connor, Executive Director and Chief Executive Officer, which were approved by shareholders at an Extraordinary General Meeting of members on 22 February 2006, had the following additional vesting conditions attached:

- 50% of the options can be exercised by Mr O'Connor when the share price of the Company's ordinary shares reaches \$0.30 and for a period of at least one calendar month after the share price has reached \$0.30, the average closing price of the Company's ordinary shares is at least \$0.30 and the remaining 50% of the options can be exercised when the share price of the Company's ordinary shares reaches \$0.40 and for a period of at least one calendar month after the share price has reached \$0.40, the average closing price of the Company's ordinary shares is at least \$0.40. These options vested during the financial year ended 30 June 2014 and expire on 1 December 2015.

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

## GENERAL EMPLOYEE SHARE OPTION PLAN

Under normal conditions, one third of the options are exercisable on the second anniversary of the date of the grant. The remaining two thirds of the options are exercisable after the following 12 months, such that all options have vested after 3 years.

Should an executive cease to be employed by Cogstate then all options which have not yet vested will automatically lapse. Any options that have vested with the executive must be exercised within 30 days of ceasing employment or those vested options will also lapse, subject to the discretion of the Directors.

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 \$0.04 above the prevailing market price.

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

## EMPLOYMENT CONTRACTS

### CHIEF EXECUTIVE OFFICER

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

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

### OTHER EXECUTIVES (STANDARD CONTRACTS)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive and can vary from 30-90 days. On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

### VOTING AND COMMENTS MADE AT THE COMPANY'S 2014 ANNUAL GENERAL MEETING

Cogstate Limited received more than 97% of "yes" votes on its remuneration report for the 2014 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## PERFORMANCE OF COGSTATE LIMITED

### RELATIONSHIP BETWEEN REMUNERATION AND COGSTATE LIMITED'S PERFORMANCE

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

| CONSOLIDATED   | 2015      | 2014      | 2013      | 2012    | 2011    |
|--|-----------|-----------|-----------|---------|---------|
| Profit/(loss) for the year attributable to owners of Cogstate Limited (\$'000) | (5,062.0) | (3,888.0) | (1,957.0) | 2,452.0 | (846.0) |
| Basic earnings per share (cents)   | (5.1)     | (4.3)     | (2.6)     | 3.3     | (1.3)   |
| Dividends payments (\$'000)  | -         | -         | -         | -       | -       |
| Dividend ratio (%)   | -         | -         | -         | -       | -       |
| Increase/(decrease) in share price (%)   | (30.0)    | (17.0)    | +20.0     | +58.0   | (24.0)  |
| Total KMP incentives as percentage of profit/(loss) for the year (%)           | (15.0)    | (3.0)     | (22.0)    | 29.0    | (17.0)  |

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

## DETAILS OF REMUNERATION

| NAME   | SHORT-TERM EMPLOYEE BENEFITS |                     |                             |
|--|------------------------------|---------------------|-----------------------------|
|  | CASH SALARY AND FEES *<br>\$ | CASH BONUS **<br>\$ | NON-MONETARY BENEFITS<br>\$ |
| <b>Non-executive directors</b>                             |                              |                     |                             |
| M Myer   | 77,626                       | -                   | -                           |
| D Simpson  | 15,000                       | -                   | -                           |
| R van den Broek  | 50,000                       | -                   | -                           |
| R Chapa  | -                            | -                   | -                           |
| D Dolby  | 50,000                       | -                   | -                           |
| A Finkel   | 7,610                        | -                   | -                           |
| <b>Sub-total non-executive directors</b>                   | <b>200,236</b>               | -                   | -                           |
| <b>Executive directors</b>                                 |                              |                     |                             |
| B O'Connor   | 326,810                      | 241,535             | 14,907                      |
| <b>Other key management personnel (Group)</b>              |                              |                     |                             |
| P Maruff   | 318,273                      | 181,151             | 23,443                      |
| S Egholm   | 185,493                      | -                   | -                           |
| J Sada   | 161,015                      | -                   | -                           |
| C Gravina  | 360,759                      | 104,994             | -                           |
| L Albers   | 265,362                      | 278,878             | -                           |
| <b>Total key management personnel compensation (group)</b> | <b>1,817,948</b>             | <b>806,558</b>      | <b>38,350</b>               |

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

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

Rudy Chapa resigned from the Cogstate Board on 15 September 2014.

Alan Finkel joined the Cogstate Board on 12 May 2015 as a Non Executive Director.

Lammert Albers was employed on 1 November 2014 as a Chief Commercial Officer.

Craig Gravina was employed on 2 June 2014 as a Chief Technology Officer.

Sophie Egholm resigned effective 13 March 2015.

Jason Sada's employment has been terminated due to the divestment of Axon Sports LLC which was finalised on 30 November 2014.

| POST-EMPLOYMENT<br>BENEFITS | LONG-TERM BENEFITS       | TERMINATION<br>BENEFITS | SHARE-BASED<br>PAYMENTS | TOTAL            |
|-----------------------------|--------------------------|-------------------------|-------------------------|------------------|
| SUPERANNUATION<br>\$        | LONG SERVICE LEAVE<br>\$ | \$                      | OPTIONS<br>\$           | \$               |
| 7,374                       | -                        | -                       | 4,647                   | 89,647           |
| 35,000                      | -                        | -                       | 4,305                   | 54,305           |
| -                           | -                        | -                       | 4,305                   | 54,305           |
| -                           | -                        | -                       | 733                     | 733              |
| -                           | -                        | -                       | -                       | 50,000           |
| 723                         | -                        | -                       | -                       | 8,333            |
| <b>43,097</b>               | -                        | -                       | <b>13,990</b>           | <b>257,323</b>   |
| 18,783                      | 11,627                   | -                       | 21,525                  | 635,187          |
| 18,783                      | 9,723                    | -                       | 35,797                  | 587,170          |
| 11,303                      | -                        | 180,697                 | 4,504                   | 381,997          |
| 3,800                       | -                        | -                       | 7,661                   | 172,476          |
| 9,960                       | -                        | -                       | 37,764                  | 513,477          |
| -                           | -                        | -                       | 29,627                  | 573,867          |
| <b>105,726</b>              | <b>21,350</b>            | <b>180,697</b>          | <b>150,868</b>          | <b>3,121,497</b> |

| 2014   | SHORT-TERM EMPLOYEE BENEFITS |                |                          |
|--|------------------------------|----------------|--------------------------|
|  | CASH SALARY<br>AND FEES *    | CASH BONUS **  | NON-MONETARY<br>BENEFITS |
| NAME   | \$                           | \$             | \$                       |
| <b>Non-executive directors</b>                             |                              |                |                          |
| M Myer   | 77,803                       | -              | -                        |
| D Simpson  | 13,844                       | -              | 1,156                    |
| R van den Broek  | 50,000                       | -              | -                        |
| R Chapa  | -                            | -              | -                        |
| D Dolby  | 29,167                       | -              | -                        |
| <b>Sub-total non-executive directors</b>                   | <b>170,814</b>               | <b>-</b>       | <b>1,156</b>             |
| <b>Executive directors</b>                                 |                              |                |                          |
| B O'Connor   | 301,291                      | 65,000         | 5,934                    |
| <b>Other key management personnel (Group)</b>              |                              |                |                          |
| P Maruff   | 302,421                      | 44,625         | 29,804                   |
| S Egholm   | 250,434                      | 10,541         | -                        |
| J Sada   | 244,990                      | -              | -                        |
| <b>Total key management personnel compensation (group)</b> | <b>1,269,950</b>             | <b>120,166</b> | <b>36,894</b>            |

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

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

| POST-EMPLOYMENT BENEFITS |                    | LONG-TERM BENEFITS   |                | SHARE-BASED PAYMENTS |  |
|--------------------------|--------------------|----------------------|----------------|----------------------|--|
| SUPERANNUATION           | LONG SERVICE LEAVE | TERMINATION BENEFITS | OPTIONS        | TOTAL                |  |
| \$                       | \$                 | \$                   | \$             | \$                   |  |
| 7,197                    | -                  | -                    | 8,040          | 93,040               |  |
| 35,000                   | -                  | -                    | 5,451          | 55,451               |  |
| -                        | -                  | -                    | 6,252          | 56,252               |  |
| -                        | -                  | -                    | 6,437          | 6,437                |  |
| -                        | -                  | -                    | -              | 29,167               |  |
| <b>42,197</b>            | -                  | -                    | <b>26,180</b>  | <b>240,347</b>       |  |
| 17,775                   | 13,277             | -                    | 25,653         | 428,930              |  |
| 17,775                   | 8,428              | -                    | 38,152         | 441,205              |  |
| 7,513                    | -                  | -                    | 9,679          | 278,167              |  |
| 6,499                    | -                  | -                    | 34,209         | 285,698              |  |
| <b>91,759</b>            | <b>21,705</b>      | -                    | <b>133,873</b> | <b>1,674,347</b>     |  |

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

| CONSOLIDATED                                       | STI    |        | LTI <sup>1</sup> |        |
|--|--------|--------|------------------|--------|
|  | 2015 % | 2014 % | 2015 %           | 2014 % |
| <b>Non-Executive Directors of Cogstate Limited</b> |        |        |                  |        |
| D Simpson  | -      | -      | 8                | 10     |
| M Myer   | -      | -      | 5                | 9      |
| R van den Broek                                    | -      | -      | 8                | 11     |
| R Chapa  | -      | -      | 100              | 100    |
| <b>Executive directors of Cogstate Limited</b>     |        |        |                  |        |
| B O'Connor <sup>2</sup>                            | 38     | 15     | 3                | 6      |
| <b>Other key management personnel of the group</b> |        |        |                  |        |
| P Maruff <sup>3</sup>                              | 31     | 10     | 6                | 9      |
| S Egholm <sup>5</sup>                              | -      | 4      | 1                | 4      |
| J Sada <sup>5</sup>                                | -      | -      | 10               | -      |
| C Gravina <sup>4</sup>                             | 20     | -      | 7                | -      |
| L Albers <sup>6</sup>                              | 43     | -      | 6                | -      |

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

|                                 | VESTED NUMBER | GRANTED NUMBER | GRANT DATE | FAIR VALUE PER OPTION GRANT DATE |
|---------------------------------|---------------|----------------|------------|----------------------------------|
| <b>Key Management Personnel</b> |               |                |            |                                  |
| Martyn Myer                     | -             |                |            |                                  |
| Brad O'Connor                   | -             |                |            |                                  |
| Rudy Chapa                      | -             |                |            |                                  |
| Paul Maruff                     | -             | 900,000        | 20-Mar-15  | \$0.10                           |
| Sophie Egholm                   | -             |                |            |                                  |
| Jason Sada                      | -             |                |            |                                  |
| Craig Gravina                   | -             | 250,000        | 20-Mar-15  | \$0.10                           |
| Lammert Albers                  | -             | 750,000        | 3-Nov-14   | \$0.13                           |
| Lammert Albers                  | -             | 250,000        | 20-Mar-15  | \$0.10                           |

<sup>1</sup> 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.

<sup>2</sup> 33% of cash bonus was forfeited due to performance conditions not being met.

<sup>3</sup> 33% of cash bonus was forfeited due to performance conditions not being met.

<sup>4</sup> 43% of cash bonus was forfeited due to performance conditions not being met.

<sup>5</sup> 100% of cash bonus was forfeited due to performance conditions not being met as employment ceased.

<sup>6</sup> Cash bonus is based on sales commissions.

## SHARE-BASED COMPENSATION

### REMUNERATION OPTIONS: GRANTED AND VESTED DURING THE YEAR

During the financial year, options were granted as equity compensation benefits to certain key management personnel. The options were issued for nil consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the company at the specified exercise price. One third of the options may be exercised after two years. The remaining two thirds can be exercised after the following year. The expiry date is at the discretion of the board and may vary. Historically options expire after ten years, however since June 2009 options issued expire after five years.

Options are calculated at fair value using a binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

For further details relating to the options, refer to note 26.

| EXERCISE PRICE<br>PER SHARE \$ | FINAL<br>VESTING DATE | FIRST<br>EXERCISE DATE | LAST<br>EXERCISE DATE | VALUE OF<br>OPTIONS<br>GRANTED<br>DURING THE<br>YEAR \$ | VALUE OF<br>OPTIONS<br>EXERCISED<br>DURING THE<br>YEAR \$ | VALUE OF<br>OPTIONS<br>LAPSED<br>DURING THE<br>YEAR \$ |
|--------------------------------|-----------------------|------------------------|-----------------------|---|---|--|
|                                |                       |                        |                       |   |   | 20,000   |
|                                |                       |                        |                       |   |   | 147,313  |
|                                |                       |                        |                       |   | 10,667  | 37,333   |
| \$0.21                         | 20-Mar-18             | 20-Mar-17              | 20-Mar-20             | 90,368  | 97,889  | 125,000  |
|                                |                       |                        |                       |   |   | 18,000   |
|                                |                       |                        |                       |   |   | 142,500  |
| \$0.21                         | 20-Mar-18             | 20-Mar-17              | 20-Mar-20             | 25,102  |   |  |
| \$0.28                         | 3-Nov-17              | 3-Nov-16               | 3-Nov-19              | 95,940  |   |  |
| \$0.21                         | 20-Mar-18             | 20-Mar-17              | 20-Mar-20             | 25,102  |   |  |

## (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<br>2015<br>NAME                       | BALANCE AT<br>START OF<br>THE YEAR | GRANTED AS<br>COMPENSA-<br>TION | EXERCISED        | OTHER<br>CHANGES   | BALANCE AT<br>END OF THE<br>YEAR | VESTED AND<br>EXERCIS-<br>ABLE | UNVESTED         |
|--|------------------------------------|---------------------------------|------------------|--------------------|----------------------------------|--------------------------------|------------------|
| <b>Directors of Cogstate Limited</b>               |                                    |                                 |                  |                    |                                  |                                |                  |
| M Myer   | 495,000                            | -                               | -                | (100,000)          | 395,000                          | 345,000                        | 50,000           |
| D Simpson  | 83,333                             | -                               | -                | -                  | 83,333                           | 33,333                         | 50,000           |
| R van den Broek                                    | 200,000                            | -                               | -                | -                  | 200,000                          | 150,000                        | 50,000           |
| R Chapa  | 150,000                            | -                               | -                | (150,000)          | -                                | -                              | -                |
| B O'Connor   | 2,920,000                          | -                               | -                | (687,500)          | 2,232,500                        | 1,957,500                      | 275,000          |
| D Dolby *  | 4,379,241                          | -                               | -                | (4,379,241)        | -                                | -                              | -                |
| <b>Total</b>                                       | <b>8,227,574</b>                   | <b>-</b>                        | <b>-</b>         | <b>(5,316,741)</b> | <b>2,910,833</b>                 | <b>2,485,833</b>               | <b>425,000</b>   |
| <b>Other key management personnel of the Group</b> |                                    |                                 |                  |                    |                                  |                                |                  |
| P Maruff   | 2,742,872                          | 900,000                         | (407,872)        | (625,000)          | 2,610,000                        | 1,110,000                      | 1,500,000        |
| S Egholm   | 925,000                            | -                               | -                | (100,000)          | 825,000                          | 825,000                        | -                |
| J Sada   | 750,000                            | -                               | -                | (750,000)          | -                                | -                              | -                |
| C Gravina  | 750,000                            | 250,000                         | -                | -                  | 1,000,000                        | -                              | 1,000,000        |
| L Albers   | -                                  | 1,000,000                       | -                | -                  | 1,000,000                        | -                              | 1,000,000        |
| <b>Total</b>                                       | <b>5,167,872</b>                   | <b>2,150,000</b>                | <b>(407,872)</b> | <b>(1,475,000)</b> | <b>5,435,000</b>                 | <b>1,935,000</b>               | <b>3,500,000</b> |

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

\* sub-underwriting fee of 4,379,241 options was given to David Dolby for acting as the sub-underwriter of the rights issue during the 2014 financial year. The options had an exercise price of \$0.39 with an exercise period of one year and were not exercised in this time.

### 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.

| CONSOLIDATED<br>2014<br>NAME                       | BALANCE AT<br>START OF<br>THE YEAR | GRANTED AS<br>COMPENSA-<br>TION | EXERCISED        | OTHER<br>CHANGES* | BALANCE AT<br>END OF THE<br>YEAR | VESTED AND<br>EXERCIS-<br>ABLE | UNVESTED         |
|--|------------------------------------|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|------------------|
| <b>Directors of Cogstate Limited</b>               |                                    |                                 |                  |                   |                                  |                                |                  |
| M Myer   | 983,749                            | 50,000                          | (538,749)        | -                 | 495,000                          | 345,000                        | 150,000          |
| D Simpson  | 83,333                             | 50,000                          | (50,000)         | -                 | 83,333                           | -                              | 83,333           |
| R van den Broek                                    | 150,000                            | 50,000                          | -                | -                 | 200,000                          | 100,000                        | 100,000          |
| R Chapa  | 100,000                            | 50,000                          | -                | -                 | 150,000                          | -                              | 150,000          |
| B O'Connor   | 3,040,010                          | 250,000                         | (73,492)         | (296,518)         | 2,920,000                        | 2,420,000                      | 500,000          |
| D Dolby *  | -                                  | -                               | -                | 4,379,241         | 4,379,241                        | 4,379,241                      | -                |
| <b>Total</b>                                       | <b>4,357,092</b>                   | <b>450,000</b>                  | <b>(662,241)</b> | <b>4,082,723</b>  | <b>8,227,574</b>                 | <b>7,244,241</b>               | <b>983,333</b>   |
| <b>Other key management personnel of the Group</b> |                                    |                                 |                  |                   |                                  |                                |                  |
| P Maruff   | 2,474,850                          | 600,000                         | -                | (331,978)         | 2,742,872                        | 1,892,872                      | 850,000          |
| S Egholm   | 825,000                            | 100,000                         | -                | -                 | 925,000                          | 725,000                        | 200,000          |
| J Sada   | 750,000                            | -                               | -                | -                 | 750,000                          | -                              | 750,000          |
| <b>Total</b>                                       | <b>4,049,850</b>                   | <b>700,000</b>                  | <b>-</b>         | <b>(331,978)</b>  | <b>4,417,872</b>                 | <b>2,617,872</b>               | <b>1,800,000</b> |

\* sub-underwriting fee of 4,379,241 options was given to David Dolby for acting as the sub-underwriter of the rights issue during the 2014 financial year. The options had an exercise price of \$0.39 with an exercise period of one year and were not exercised in this time.

## (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<br>2015<br>NAME         | BALANCE AT THE<br>START OF THE YEAR | RECEIVED DURING<br>THE YEAR ON THE<br>EXERCISE OF OPTIONS | OTHER CHANGES<br>DURING THE YEAR | BALANCE AT END<br>OF THE YEAR |
|--------------------------------------|-------------------------------------|---|----------------------------------|-------------------------------|
| <b>Directors of Cogstate Limited</b> |                                     |   |                                  |                               |
| <b>Ordinary shares</b>               |                                     |   |                                  |                               |
| M Myer                               | 17,493,214                          | -   | 1,414,572                        | 18,907,786                    |
| D Simpson                            | 1,180,356                           | -   | -                                | 1,180,356                     |
| R van den Broek                      | 3,735,000                           | -   | -                                | 3,735,000                     |
| R Chapa                              | 12,961,831                          | -   | (12,961,831)                     | -                             |
| B O'Connor                           | 3,156,683                           | -   | 25,000                           | 3,181,683                     |
| D Dolby                              | 13,606,389                          | -   | 6,170,000                        | 19,776,389                    |
| A Finkel                             | 1,000,000                           | -   | 8,000,000                        | 9,000,000                     |

| <b>CONSOLIDATED<br/>2014<br/>NAME</b> | <b>BALANCE AT THE<br/>START OF THE YEAR</b> | <b>RECEIVED DURING<br/>THE YEAR ON THE<br/>EXERCISE OF OPTIONS</b> | <b>OTHER CHANGES<br/>DURING THE YEAR</b> | <b>BALANCE AT END<br/>OF THE YEAR</b> |
|---------------------------------------|---|--|--|---------------------------------------|
| <b>Directors of Cogstate Limited</b>  |   |  |  |                                       |
| <b>Ordinary shares</b>                |   |  |  |                                       |
| M Myer                                | 14,741,815                                  | 1,299,523  | 1,943,691                                | 17,493,214                            |
| D Simpson                             | 999,205                                     | 381,667  | 131,151                                  | 1,180,356                             |
| R van den Broek                       | 3,320,000                                   | -  | 415,000                                  | 3,735,000                             |
| R Chapa                               | 12,961,831                                  | -  | -  | 12,961,831                            |
| B O'Connor                            | 3,040,294                                   | 73,492   | 42,897                                   | 3,156,683                             |
| D Dolby                               | -   | -  | 13,606,389                               | 13,606,389                            |

End of audited remuneration report.

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

**Martyn Myer AO, DIRECTOR**  
**18 August 2015**



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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

|   | NOTES  | CONSOLIDATED       |                    |
|---|--------|--------------------|--------------------|
|   |        | 2015<br>\$         | 2014<br>\$         |
| <b>Operations</b>   |        |                    |                    |
| Revenue   | 5      | 16,073,369         | 11,328,099         |
| Finance income  | 5      | 118,903            | 178,919            |
| Total Revenue   | 5      | 16,192,272         | 11,507,018         |
| Cost of sales   |        | (8,166,895)        | (6,303,557)        |
| <b>Gross Profit</b>   |        | <b>8,025,377</b>   | <b>5,203,461</b>   |
| Fair value gain on derivative   | 6      | -                  | 91,529             |
| Other income  | 6      | 643,803            | 418,241            |
| Employee benefits expense   | 7      | (6,017,267)        | (4,165,859)        |
| Depreciation and amortisation   | 7      | (458,519)          | (395,889)          |
| Occupancy   |        | (687,573)          | (610,800)          |
| Marketing   |        | (496,770)          | (466,782)          |
| Professional fees   |        | (538,554)          | (480,765)          |
| General Administration  |        | (2,931,640)        | (2,848,516)        |
| Net foreign exchange gain/(loss)  | 7      | 632,920            | (277,928)          |
| Travel expenses   |        | (959,773)          | (933,520)          |
| Finance expenses  | 7      | (111,634)          | (74,751)           |
| Other   |        | (149,941)          | (3,606)            |
| Impairment of assets  | 16, 17 | (2,164,283)        | -                  |
| <b>Loss before income tax</b>   |        | <b>(5,213,854)</b> | <b>(4,545,185)</b> |
| Income tax benefit  | 8      | 151,632            | 656,790            |
| <b>Loss from continuing operations</b>  |        | <b>(5,062,222)</b> | <b>(3,888,395)</b> |
| <b>Loss for the year</b>  |        | <b>(5,062,222)</b> | <b>(3,888,395)</b> |
| <b>Other comprehensive income</b>   |        |                    |                    |
| Exchange differences on translation of foreign operations                                       | 21(a)  | -                  | 40,486             |
| <b>Total comprehensive income for the year</b>  |        | <b>(5,062,222)</b> | <b>(3,847,909)</b> |
| Profit/(loss) is attributable to:   |        |                    |                    |
| Owners of Cogstate Limited  |        | (5,062,222)        | (3,888,395)        |
| Total comprehensive income for the year is attributable to:                                     |        |                    |                    |
| Owners of Cogstate Limited  |        | (5,062,222)        | (3,847,909)        |
| Total comprehensive income for the year attributable to owners of Cogstate Limited arises from: |        |                    |                    |
| Continuing operations   |        | (4,722,092)        | (2,835,437)        |
| Discontinued operations   |        | (340,130)          | (1,012,472)        |
|   |        | <b>(5,062,222)</b> | <b>(3,847,909)</b> |

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

|  | NOTES | CENTS | CENTS |
|--|-------|-------|-------|
| <b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>    |       |       |       |
| Basic earnings per share   | 11    | (4.8) | (3.0) |
| Diluted earnings per share   | 11    | (4.8) | (3.0) |
| <b>Earnings per share for profit from discontinuing operations attributable to the ordinary equity holders of the company:</b> |       |       |       |
| Basic earnings per share   | 11    | (0.3) | (1.3) |
| Diluted earnings per share   | 11    | (0.3) | (1.3) |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>                               |       |       |       |
| Basic earnings per share   | 11    | (5.1) | (4.3) |
| Diluted earnings per share   | 11    | (5.1) | (4.3) |

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

**CONSOLIDATED BALANCE SHEET**  
AS AT 30 JUNE 2015

|   | NOTES | CONSOLIDATED      |              |
|---|-------|-------------------|--------------|
|   |       | 2015<br>\$        | 2014<br>\$   |
| <b>ASSETS</b>   |       |                   |              |
| <b>Current assets</b>   |       |                   |              |
| Cash and cash equivalents                                       | 13    | 5,497,197         | 7,126,749    |
| Trade and other receivables                                     | 14    | 4,896,483         | 2,766,784    |
| Other current assets  | 15    | 455,855           | 433,439      |
| <b>Total current assets</b>                                     |       | <b>10,849,535</b> | 10,326,972   |
| <b>Non-current assets</b>                                       |       |                   |              |
| Property, plant and equipment                                   | 16    | 1,117,040         | 1,318,224    |
| Deferred tax assets   | 9     | 1,936,922         | 1,327,624    |
| Intangible assets   | 17    | 401,584           | 2,140,193    |
| <b>Total non-current assets</b>                                 |       | <b>3,455,546</b>  | 4,786,041    |
| <b>Total assets</b>   |       | <b>14,305,081</b> | 15,113,013   |
| <b>LIABILITIES</b>  |       |                   |              |
| <b>Current liabilities</b>                                      |       |                   |              |
| Trade and other payables  | 18    | 2,548,349         | 1,120,859    |
| Provisions  | 19    | 1,127,660         | 911,959      |
| <b>Total current liabilities</b>                                |       | <b>3,676,009</b>  | 2,032,818    |
| <b>Non-current liabilities</b>                                  |       |                   |              |
| Deferred tax liabilities  | 10    | 492,026           | 58,116       |
| Provisions  | 19    | 22,108            | 6,820        |
| <b>Total non-current liabilities</b>                            |       | <b>514,134</b>    | 64,936       |
| <b>Total liabilities</b>  |       | <b>4,190,143</b>  | 2,097,754    |
| <b>Net assets</b>   |       | <b>10,114,938</b> | 13,015,259   |
| <b>EQUITY</b>   |       |                   |              |
| Contributed equity  | 20    | 26,557,229        | 23,771,855   |
| Other reserves  | 21(a) | 858,689           | 1,776,355    |
| Retained earnings   |       | (17,300,980)      | (12,532,951) |
| Capital and reserves attributable to owners of Cogstate Limited |       | 10,114,938        | 13,015,259   |
| <b>Total equity</b>   |       | <b>10,114,938</b> | 13,015,259   |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2015**

| CONSOLIDATED   | NOTES | ATTRIBUTABLE TO OWNERS OF COGSTATE LIMITED |                               |  |                            | TOTAL EQUITY<br>\$ |
|--|-------|--|-------------------------------|--|----------------------------|--------------------|
|  |       | CONTRIBUTED<br>EQUITY<br>\$                | SHARE BASED<br>PAYMENTS<br>\$ | FOREIGN<br>CURRENCY<br>TRANSLATION<br>\$ | RETAINED<br>EARNINGS<br>\$ |                    |
| <b>Balance at 1 July 2013</b>  |       | 16,262,304                                 | 1,465,243                     | (171,704)                                | (8,746,526)                | 8,809,317          |
| Loss for the year as reported in the 2014 financial statements             |       | -  | -                             | -  | (3,888,395)                | (3,888,395)        |
| Other comprehensive income   |       | -  | -                             | 40,486                                   | -                          | 40,486             |
| <b>Total comprehensive income for the year</b>                             |       | -  | -                             | <b>40,486</b>                            | <b>(3,888,395)</b>         | <b>(3,847,909)</b> |
| <b>Transfer between share based payments reserve and retained earnings</b> |       |  |                               |  |                            |                    |
| Contributions of equity, net of transaction costs and tax                  | 20    | 7,452,511                                  | 313,772                       | -  | -                          | 7,766,283          |
| Cost of issue of Share Capital   | 20    | (161,171)                                  | -                             | -  | -                          | (161,171)          |
| Issue of options for underwriting of rights issue                          |       | (313,772)                                  | -                             | -  | -                          | (313,772)          |
| Transfer between share based payments reserve and retained earnings        |       | -  | (101,970)                     | -  | 101,970                    | -                  |
| Exercise of options  |       | 531,983                                    | -                             | -  | -                          | 531,983            |
| Cost of share-based payment  |       | -  | 230,528                       | -  | -                          | 230,528            |
|  |       | 7,509,551                                  | 442,330                       | -  | 101,970                    | 8,053,851          |
| <b>Balance at 30 June 2014</b>   |       | <b>23,771,855</b>                          | <b>1,907,573</b>              | <b>(131,218)</b>                         | <b>(12,532,951)</b>        | <b>13,015,259</b>  |
| <b>Balance at 1 July 2014</b>  |       | 23,771,855                                 | 1,907,573                     | (131,218)                                | (12,532,951)               | 13,015,259         |
| Loss for the year as reported in the 2015 financial statements             |       | -  | -                             | -  | (5,062,222)                | (5,062,222)        |
| <b>Total comprehensive income for the year</b>                             |       | -  | -                             | -  | <b>(5,062,222)</b>         | <b>(5,062,222)</b> |
| <b>Transactions with owners in their capacity as owners:</b>               |       |  |                               |  |                            |                    |
| Issue of Share Capital   | 20    | 2,000,000                                  | -                             | -  | -                          | 2,000,000          |
| Issue of options for underwriting of rights issue                          |       | 422,227                                    | (422,227)                     | -  | -                          | -                  |
| Transfer between share based payments reserve and retained earnings        |       | -  | (294,193)                     | -  | 294,193                    | -                  |
| Transfer to share capital on exercise of options                           | 21    | 298,059                                    | (298,059)                     | -  | -                          | -                  |
| Exercise of options  |       | 65,088                                     | -                             | -  | -                          | 65,088             |
| Cost of share-based payment  |       | -  | 96,813                        | -  | -                          | 96,813             |
|  |       | 2,785,374                                  | (917,666)                     | -  | 294,193                    | 2,161,901          |
| <b>Balance at 30 June 2015</b>   |       | <b>26,557,229</b>                          | <b>989,907</b>                | <b>(131,218)</b>                         | <b>(17,300,980)</b>        | <b>10,114,938</b>  |

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 2015**

|  | NOTES | CONSOLIDATED       |                    |
|--|-------|--------------------|--------------------|
|  |       | 2015<br>\$         | 2014<br>\$         |
| <b>Cash flows from operating activities</b>                      |       |                    |                    |
| Receipts from customers  |       | 18,055,310         | 12,439,686         |
| Payments to suppliers and employees                              |       | (21,310,219)       | (16,556,431)       |
| Research and Development tax rebate received                     |       | 477,984            | 707,730            |
| <b>Net cash (outflow) from operating activities</b>              | 23    | <b>(2,776,925)</b> | <b>(3,409,015)</b> |
| <b>Cash flows from investing activities</b>                      |       |                    |                    |
| Payments for property, plant and equipment                       | 16    | (1,055,021)        | (818,776)          |
| Proceeds from sale of property, plant and equipment              |       | 8,528              | -                  |
| Interest received  |       | 123,771            | 158,742            |
| <b>Net cash (outflow) from investing activities</b>              |       | <b>(922,722)</b>   | <b>(660,034)</b>   |
| <b>Cash flows from financing activities</b>                      |       |                    |                    |
| Proceeds from issues of shares                                   |       | 2,065,088          | 7,984,495          |
| Transaction costs of issue of shares                             |       | -                  | (230,243)          |
| Interest payments  |       | (65,539)           | (36,776)           |
| <b>Net cash inflow from financing activities</b>                 |       | <b>1,999,549</b>   | <b>7,717,476</b>   |
| <b>Net (decrease) increase in cash and cash equivalents</b>      |       | <b>(1,700,098)</b> | <b>3,648,427</b>   |
| Cash and cash equivalents at the beginning of the financial year |       | 7,126,749          | 3,392,617          |
| Effects of exchange rate changes on cash and cash equivalents    |       | 70,546             | 85,705             |
| <b>Cash and cash equivalents at end of year</b>                  | 13    | <b>5,497,197</b>   | <b>7,126,749</b>   |

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

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## OF THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Cogstate Limited and its subsidiaries.

### (A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Cogstate Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The consolidated financial statements of the Cogstate Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 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 2014.

#### (iv) Historical cost convention

These financial statements have been prepared under the historical cost convention as modified by revaluations to fair value for certain classes of assets as described in the accounting policies, and derivative financial instruments, which have been measured at fair value.

#### (v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### (B) PRINCIPLES OF CONSOLIDATION

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

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

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

### (C) FOREIGN CURRENCY TRANSLATION

#### (i) Functional and presentation currency

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

#### (ii) Transactions and balances

Transactions in foreign currencies of entities within the consolidated 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 re statement are recognised as revenues and expenses for the financial year.

**(iii) Group companies**

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated as follows:

- assets and liabilities are translated at the closing rate on reporting date;
- income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- all resulting exchange differences are recognised in other comprehensive income.

**(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 27). 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.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

Cogstate conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

**(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****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 consolidated entity 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 2 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

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

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

Other development expenditure is recognised as an expense when incurred.

**(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 is not amortised but is 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.

Intangible assets also include acquired intellectual property arising due to the acquisition in 2011 of the remaining 50% of units in the Axon Sports LLC joint venture. The intellectual property is amortised over its estimated useful life, which is 9 years. Intellectual property arising from the acquisition of the remaining 50% of units in Axon Sports LLC is carried at cost less accumulated amortisation and any impairment losses.

**(ii) Research and development**

Research expenditure is recognised as an expense as incurred.

**(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, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after reporting date are measured at the amounts based on remuneration rates which are expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

**(ii) Other long-term employee benefit obligations**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

**(iii) Share-based payments**

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

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

- The Non-Executive Director Share Option Plan (NEDOP), which provides benefits to directors.
- The Employee Share Option Plan (ESOP), which provides benefits to senior executives and employees. Information relating to these schemes is set out in note 26.

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 26.

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

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

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

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

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

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

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

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

#### **(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) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139 Financial Instruments Recognition and Measurement. When adopted, the standard could change the classification and measurement of financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading. In the current reporting period, the group recognised \$nil in other comprehensive income in relation to the movements in the fair value of available for sale financial assets, which are not held for trading.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2018 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2015.

AASB 15 Revenue from contracts with customers introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented. However the assessment of impact has not yet been completed.

## 2 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit allowances, and future cash flow forecast projections.

|                              | CONSOLIDATED      |            |
|------------------------------|-------------------|------------|
|                              | 2015<br>\$        | 2014<br>\$ |
| <b>Financial assets</b>      |                   |            |
| Cash and cash equivalents    | <b>5,497,197</b>  | 7,126,749  |
| Trade and other receivables  | <b>4,896,483</b>  | 2,766,784  |
|                              | <b>10,393,680</b> | 9,893,533  |
| <b>Financial liabilities</b> |                   |            |
| Trade and other payables     | <b>2,548,349</b>  | 1,120,859  |

**(A) MARKET RISK****(i) Foreign exchange risk**

As a result of the majority of the customer base being domiciled in the United States and Europe, the Group's financial assets can be affected by movements in the US\$/A\$ and GBP/A\$ exchange rates. Approximately 98% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 21% of costs are denominated in the Group's functional currency. The Group does not seek to hedge this exposure specifically, but partially mitigates the effect of its foreign currency exposure by using US\$ as its transaction currency with overseas customers. Trade receivables are received in US\$ into a US\$ denominated bank account, these monies are then used to fund the US operations. Management has not entered into forward currency contracts during the current year.

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

|                           | 30 JUNE 2015<br>AUD<br>\$ | 30 JUNE 2014<br>AUD<br>\$ |
|---------------------------|---------------------------|---------------------------|
| <b>CONSOLIDATED</b>       |                           |                           |
| Cash and cash equivalents | 1,908,995                 | 825,636                   |
| Trade receivables         | 4,846,808                 | 2,497,085                 |
| Trade payables            | (2,076,479)               | (926,579)                 |
| Net exposure              | 4,679,324                 | 2,396,142                 |

**Sensitivity**

At 30 June 2015, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant and based on a base rate of \$A1.00 = \$US0.7655, post tax profit and equity would have been affected as follows:

|               | POST TAX PROFIT           |                           | EQUITY                    |                           |
|---------------|---------------------------|---------------------------|---------------------------|---------------------------|
|               | HIGHER/(LOWER)<br>2015 \$ | HIGHER/(LOWER)<br>2014 \$ | HIGHER/(LOWER)<br>2015 \$ | HIGHER/(LOWER)<br>2014 \$ |
| AUD:USD + 10% | (383,080)                 | (217,041)                 | (383,080)                 | (217,041)                 |
| AUD:USD - 10% | 571,641                   | 267,204                   | 571,641                   | 267,204                   |

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:

|                                    | 30 JUNE 2015<br>\$ | 30 JUNE 2014<br>\$ |
|------------------------------------|--------------------|--------------------|
| <b>CONSOLIDATED</b>                |                    |                    |
| Cash at bank and on hand           | 2,717,143          | 1,023,513          |
| Short-term deposits                | 2,780,053          | 6,103,236          |
| Net exposure to interest rate risk | 5,497,197          | 7,126,749          |

### Sensitivity

If interest rates were to increase/decrease by 1%/(0.5%) from rates used for the entire year, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

|               | POST TAX PROFIT   |                    | EQUITY            |                    |
|---------------|-------------------|--------------------|-------------------|--------------------|
|               | HIGHER<br>2015 \$ | (LOWER)<br>2014 \$ | HIGHER<br>2015 \$ | (LOWER)<br>2014 \$ |
| Increase 1%   | 54,972            | 71,267             | 54,972            | 71,267             |
| Decrease 0.5% | 27,486            | 35,634             | 27,486            | 35,634             |

### (B) CREDIT RISK

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

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

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

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

### (C) LIQUIDITY RISK

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

### (D) FAIR VALUE MEASUREMENTS

The 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 as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses. No tax losses have been recognised as deferred tax assets from losses incurred in the United States, Canada and Spain.

#### Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

#### Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recognised during the current year. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 17.

**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 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

**Long service leave provision**

As discussed in note 1M, 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 16.

**Going Concern Assumption**

The 2015 financial statements have been prepared on a going concern basis. The going concern assumption continues to apply to Cogstate as at 30 June 2015 despite the current year operating loss result. This is based on the group continuing to be in a positive net asset position, having no external debt and continuing to carry significant cash reserves that enable the group to meet its debts as and when they fall due.

**4 SEGMENT INFORMATION****(A) DESCRIPTION OF SEGMENTS****Identification of reportable segments**

The consolidated entity has four reportable segments as described below:

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

The operating segments are identified by management based on the market the services are provided in (i.e. cognitive testing in clinical trials, computerised cognitive assessment tools and skills training for athletes, assessment of cognitive decline by primary care physicians and precision recruitment of patients for clinical drug trials). Discrete financial information is reported to the executive management team on at least a monthly basis, as these are the source of the Group's major risks and have the most effect on the rates of return.

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

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

**Types of services**

Cogstate's first operating segment is cognitive testing in Clinical Trials. In this market, Cogstate's technology and associated services are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials primarily conducted by pharmaceutical, and biotechnology companies.

The second operating segment is the precision recruitment market. In this market, the technology is used as an online screening tool as part of the process of recruiting subjects into Clinical Trials.

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

The fourth operating segment is the sport market. In this market, the technology and associated services are used to provide concussion management tools in sport.

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

Although sales in each market are conducted in different geographic regions, none have been determined as operating or reporting segments as often the geographic source of the revenue can differ to the geographic source of the costs for the same project. Therefore management currently review internal reports based on worldwide revenue and results.

## (B) SEGMENT INFORMATION

The following table's present revenue and profit information regarding the segments of Clinical Trials, Sport and Healthcare markets for the years ended year ended 30 June 2015 and 30 June 2014.

| CONSOLIDATED<br>2015  | CLINICAL<br>TRIALS<br>\$ | PRECISION<br>RECRUITMENT<br>TOOL<br>\$ | HEALTHCARE<br>MARKET<br>\$ | SPORT<br>\$      | ADMINISTRATION<br>\$ | TOTAL<br>\$        |
|---|--------------------------|--|----------------------------|------------------|----------------------|--------------------|
| Sales to external customers                                     | 15,184,662               | 517,382                                | 23,449                     | 347,876          | -                    | 16,073,369         |
| <b>Revenue from external customers</b>                          | <b>15,184,662</b>        | <b>517,382</b>                         | <b>23,449</b>              | <b>347,876</b>   | <b>-</b>             | <b>16,073,369</b>  |
| Cost of Sales   | (6,724,872)              | (74,449)                               | (256,224)                  | (458,219)        | (653,131)            | (8,166,895)        |
| <b>Total Segment Gross Profit</b>                               | <b>8,459,790</b>         | <b>442,933</b>                         | <b>(232,775)</b>           | <b>(110,343)</b> | <b>(653,131)</b>     | <b>7,906,474</b>   |
| Interest revenue  | -                        | -                                      | -                          | -                | 118,903              | 118,903            |
| <b>Total gross profit per statement of comprehensive income</b> |                          |  |                            |                  |                      | <b>8,025,377</b>   |
| Net Pass-through Recovery                                       | 158,221                  | -                                      | -                          | -                | -                    | 158,221            |
| Operating profit  | 8,618,011                | 442,933                                | (232,775)                  | (110,343)        | (12,201,570)         | (3,479,825)        |
| Depreciation and amortisation expenses                          | -                        | -                                      | -                          | -                | (458,419)            | (458,419)          |
| Foreign exchange gain/(loss) realised and unrealised            | -                        | -                                      | -                          | -                | 632,290              | 632,290            |
| Profit/(loss) on disposal of assets                             | -                        | -                                      | -                          | -                | 10,730               | 10,730             |
| Royalty income  | -                        | -                                      | -                          | -                | 7,598                | 7,598              |
| Finance costs   | -                        | -                                      | -                          | -                | (111,634)            | (111,634)          |
| Impairment of assets  | -                        | -                                      | -                          | -                | (2,164,283)          | (2,164,283)        |
| Other income / (Expenses)                                       | -                        | -                                      | -                          | -                | (124,376)            | (124,376)          |
| Research and Development Grant                                  | -                        | -                                      | -                          | -                | 477,984              | 477,984            |
| <b>Segment result</b>   | <b>8,618,011</b>         | <b>442,933</b>                         | <b>(232,775)</b>           | <b>(110,343)</b> | <b>(13,931,680)</b>  | <b>(5,213,854)</b> |
| Profit/(loss) before tax per statement of comprehensive income  | 8,618,011                | 442,933                                | (232,775)                  | (110,343)        | (13,931,680)         | (5,213,854)        |

| CONSOLIDATED<br>2014  | CLINICAL<br>TRIALS<br>\$ | PRECISION<br>RECRUITMENT<br>TOOL<br>\$ | HEALTHCARE<br>MARKET<br>\$ | SPORT<br>\$      | ADMINISTRATION<br>\$ | TOTAL<br>\$        |
|---|--------------------------|--|----------------------------|------------------|----------------------|--------------------|
| Sales to external customers                                     | 10,694,281               | 85,238                                 | 28,658                     | 462,913          | 57,009               | 11,328,099         |
| <b>Revenue from external customers</b>                          | <b>10,694,281</b>        | <b>85,238</b>                          | <b>28,658</b>              | <b>462,913</b>   | <b>57,009</b>        | <b>11,328,099</b>  |
| Cost of Sales   | (4,693,991)              | (23,685)                               | (394,128)                  | (695,885)        | (495,868)            | (6,303,557)        |
| <b>Total Segment Gross Profit</b>                               | <b>6,000,290</b>         | <b>61,553</b>                          | <b>(365,470)</b>           | <b>(232,972)</b> | <b>(438,859)</b>     | <b>5,024,542</b>   |
| Interest revenue  | -                        | -                                      | -                          | -                | 178,919              | 178,919            |
| <b>Total gross profit per statement of comprehensive income</b> |                          |  |                            |                  |                      | <b>5,203,461</b>   |
| Net Pass-through Recovery                                       | 114,016                  | -                                      | -                          | -                | -                    | 114,016            |
| Operating profit  | 6,114,306                | 61,553                                 | (365,470)                  | (232,972)        | (9,860,351)          | (4,282,934)        |
| Depreciation and amortisation expenses                          | -                        | -                                      | -                          | -                | (395,889)            | (395,889)          |
| Foreign exchange gain/(loss) realised and unrealised            | -                        | -                                      | -                          | -                | (277,928)            | (277,928)          |
| Profit/(loss) on disposal of assets                             | -                        | -                                      | -                          | -                | 13,412               | 13,412             |
| Fair value gain/(loss) on derivative                            | -                        | -                                      | -                          | -                | 91,429               | 91,429             |
| Other income / (Expenses)                                       | -                        | -                                      | -                          | -                | 2,500                | 2,500              |
| Research and Development Grant                                  | -                        | -                                      | -                          | -                | 304,225              | 304,225            |
| <b>Segment result</b>   | <b>6,114,306</b>         | <b>61,553</b>                          | <b>(365,470)</b>           | <b>(232,972)</b> | <b>(10,122,602)</b>  | <b>(4,545,185)</b> |
| Profit/(loss) before tax per statement of comprehensive income  | 6,114,306                | 61,553                                 | (365,470)                  | (232,972)        | (10,122,602)         | (4,545,185)        |

### (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:

- Johnson & Johnson Group of companies - \$4.2m
- AstraZeneca \$2.9m

In 2014, 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:

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

Consistent with the requirements of AASB8, as the Chief Operating Decision Maker does not receive information regarding segment assets, no disclosure of segment assets has been provided.

**5 REVENUE**

|  | CONSOLIDATED      |            |
|--|-------------------|------------|
|  | 2015<br>\$        | 2014<br>\$ |
| <b>From continuing operations</b>                      |                   |            |
| <b>Sales revenue</b>                                   |                   |            |
| Sale of services and licenses in Clinical Trials       | <b>15,184,662</b> | 10,694,281 |
| Sale of services and licenses in Precision Recruitment | <b>517,382</b>    | 85,238     |
| Sale of services and licenses in Sport                 | <b>347,876</b>    | 462,913    |
| Sale of services and licenses in Healthcare            | <b>23,449</b>     | 28,658     |
| Sale of services and licenses in Research              | -                 | 57,009     |
|  | <b>16,073,369</b> | 11,328,099 |
| Finance income   | <b>118,903</b>    | 178,919    |
|  | <b>16,192,272</b> | 11,507,018 |

**6 OTHER INCOME**

|                                       | CONSOLIDATED   |            |
|---------------------------------------|----------------|------------|
|                                       | 2015<br>\$     | 2014<br>\$ |
| Royalty revenue                       | <b>7,598</b>   | -          |
| Research and Development Grant rebate | <b>477,984</b> | 304,225    |
| Net pass-through recovery             | <b>158,221</b> | 114,016    |
| Fair value gain/(loss) on derivative  | -              | 91,529     |
|                                       | <b>643,803</b> | 509,770    |

**7 EXPENSES**

|   | 2015<br>\$   | 2014<br>\$  |
|---|--------------|-------------|
| <b>Loss before income tax includes the following specific expenses:</b> |              |             |
| <b>Employee benefits expenses</b>                                       |              |             |
| Direct wages & salaries (part of cost of sales)                         | (7,327,757)  | (5,542,172) |
| Indirect wages & salaries   | (5,920,454)  | (3,935,331) |
| Share based payments expense  | (96,813)     | (230,528)   |
| Total employee benefits expenses  | (13,345,024) | (9,708,031) |

Direct wages and salaries are included as part of Cost of Sales in the Statement of Comprehensive Income. Share based payments are included as part of Employee Benefits expense in the Statement of Comprehensive Income.

|   |           |           |
|---|-----------|-----------|
| <b>Depreciation</b>                         |           |           |
| Direct depreciation (part of cost of sales) | (278,118) | (288,774) |
| Other indirect depreciation expense         | (176,582) | (113,952) |
| Total depreciation                          | (454,700) | (402,726) |
| <b>Amortisation</b>                         |           |           |
| Intellectual Property                       | (281,937) | (281,937) |
| Total depreciation and amortisation         | (736,637) | (684,663) |

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

|   |                |           |
|---|----------------|-----------|
| <b>Finance costs</b>                                    |                |           |
| Interest and finance charges paid                       | (111,634)      | (74,751)  |
| <b>Realised/unrealised foreign exchange gain/(loss)</b> | <b>632,920</b> | (277,928) |
| <b>Rental expense relating to operating leases</b>      |                |           |
| Minimum lease payments                                  | (605,606)      | (588,575) |
| Outgoings   | (17,630)       | (22,225)  |
| Total rental expense relating to operating leases       | (623,236)      | (610,800) |

**8 INCOME TAX EXPENSE****(A) INCOME TAX EXPENSE/(BENEFIT)**

|  | CONSOLIDATED |            |
|--|--------------|------------|
|  | 2015<br>\$   | 2014<br>\$ |
| Current tax                                      | -            | -          |
| Deferred tax                                     | (175,388)    | (533,619)  |
| Adjustments for tax of prior periods             | 23,756       | (123,171)  |
|  | (151,632)    | (656,790)  |
| Income tax expense/(benefit) is attributable to: |              |            |
| Profit/(loss) from continuing operations         | 44,863       | (222,873)  |
| Loss from discontinued operations                | (196,495)    | (433,917)  |
| Aggregate income tax expense/(benefit)           | (151,632)    | (656,790)  |

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

|   | CONSOLIDATED |             |
|---|--------------|-------------|
|   | 2015<br>\$   | 2014<br>\$  |
| Loss from continuing operations before income tax expense                               | (4,727,954)  | (3,098,796) |
| Loss from discontinuing operations before income tax expense                            | (485,900)    | (1,446,389) |
|   | (5,213,854)  | (4,545,185) |
| Prima Facie Tax at the Australian tax rate of 30.0% (2014 - 30.0%)                      | (1,564,156)  | (1,363,556) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |              |             |
| Intellectual Property impairment  | 437,002      | -           |
| Amortisation of intangibles   | 84,581       | 84,581      |
| Expenditure not deductible for income tax purposes (incl. R&D)                          | 500,446      | 151,573     |
|   | (665,990)    | (1,127,402) |
| Adjustments for tax of prior periods  | 23,756       | (123,171)   |
| Tax losses not recognised   | 366,739      | 593,783     |
| Income tax expense/(benefit)  | (151,632)    | (656,790)   |

**(C) TAX LOSSES**

|  | CONSOLIDATED |            |
|--|--------------|------------|
|  | 2015<br>\$   | 2014<br>\$ |
| Unused tax losses for which no deferred tax asset has been recognised (cumulative) | 1,678,679    | 1,296,798  |
| Potential tax benefit of foreign losses (current year)                             | 304,384      | 567,302    |

The benefit will only be obtained if:

- (a) The US, Canadian and Spanish companies derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (b) The US, Canadian and Spanish companies continue to comply with the conditions for deductibility imposed by law; and
- (c) No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

**9 NON-CURRENT ASSETS - DEFERRED TAX ASSETS**

|   | CONSOLIDATED     |                  |
|---|------------------|------------------|
|   | 2015<br>\$       | 2014<br>\$       |
| <b>The balance comprises temporary differences attributable to:</b> |                  |                  |
| Tax losses  | 1,502,028        | 969,375          |
| Employee benefits   | 342,726          | 271,479          |
| Rights Issue Expenses   | 41,443           | 55,258           |
| Accrued expenses  | 50,725           | 24,455           |
| Unrealised foreign exchange loss                                    | -                | 7,057            |
|   | <b>1,936,922</b> | <b>1,327,624</b> |

**10 NON-CURRENT LIABILITIES - DEFERRED TAX LIABILITIES**

|   | CONSOLIDATED   |               |
|---|----------------|---------------|
|   | 2015<br>\$     | 2014<br>\$    |
| <b>The balance comprises temporary differences attributable to:</b> |                |               |
| Accrued interest income   | 1,181          | 3,051         |
| Unrealised foreign exchange gain                                    | 490,845        | 55,065        |
|   | <b>492,026</b> | <b>58,116</b> |

## 11 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

### (A) BASIC EARNINGS PER SHARE

|   | CONSOLIDATED  |               |
|---|---------------|---------------|
|   | 2015<br>CENTS | 2014<br>CENTS |
| From continuing operations attributable to the ordinary equity holders of the company     | (4.8)         | (3.0)         |
| From discontinued operations  | (0.3)         | (1.3)         |
| Total basic earnings per share attributable to the ordinary equity holders of the company | (5.1)         | (4.3)         |

### (B) DILUTED EARNINGS PER SHARE

|   | CONSOLIDATED  |               |
|---|---------------|---------------|
|   | 2015<br>CENTS | 2014<br>CENTS |
| From continuing operations attributable to the ordinary equity holders of the company       | (4.8)         | (3.0)         |
| From discontinued operations  | (0.3)         | (1.3)         |
| Total diluted earnings per share attributable to the ordinary equity holders of the company | (5.1)         | (4.3)         |

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

|  | CONSOLIDATED |             |
|--|--------------|-------------|
|  | 2015<br>\$   | 2014<br>\$  |
| <b>Basic earnings per share</b>  |              |             |
| 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   | (5,062,222)  | (3,888,395) |
| <b>Diluted earnings per share</b>  |              |             |
| Profit/(loss) from continuing operations attributable to the ordinary equity holders of the company                    |              |             |
| Used in calculating basic earnings per share   | (5,062,222)  | (3,888,395) |

**(D) 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 26.

5,733,333 options are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2015 ('out of the money' and/or unvested). These options could potentially dilute basic earnings per share in the future.

**12 DISCONTINUED OPERATION****(A) DISCONTINUED OPERATION****(i) Description**

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

At this stage, the inflows from the percentage of revenue over the next 5 years are not virtually certain or yet probable and, hence, there is no receivable or contingent asset to be taken to account as at 30 June 2015.

The total loss on sale has been included in the statement of comprehensive income. Financial information relating to the discontinued operation for the period is set out below.

**(ii) Financial performance**

The financial performance information presented is for the year ended 30 June 2015 and the year ended 2014.

|   | <b>CONSOLIDATED</b> |             |
|---|---------------------|-------------|
|   | <b>2015</b>         | <b>2014</b> |
|   | <b>\$</b>           | <b>\$</b>   |
| Revenue   | <b>203,848</b>      | 249,205     |
| Expenses  | <b>(689,748)</b>    | (1,695,594) |
| Loss before income tax                          | <b>(485,900)</b>    | (1,446,389) |
| Income tax benefit                              | <b>145,770</b>      | 433,917     |
| Loss after income tax of discontinued operation | <b>(340,130)</b>    | (1,012,472) |
| <b>Loss from discontinued operation</b>         | <b>(340,130)</b>    | (1,012,472) |

**13 CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

|                          | CONSOLIDATED     |            |
|--------------------------|------------------|------------|
|                          | 2015<br>\$       | 2014<br>\$ |
| Cash at bank and in hand | 2,717,144        | 1,023,513  |
| Short-term deposits      | 2,780,053        | 6,103,236  |
|                          | <b>5,497,197</b> | 7,126,749  |

**(A) RECONCILIATION TO CASH AT THE END OF THE YEAR**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

**14 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

|                   | CONSOLIDATED |            |
|-------------------|--------------|------------|
|                   | 2015<br>\$   | 2014<br>\$ |
| Trade receivables | 4,896,483    | 2,766,784  |

**(A) IMPAIRED TRADE RECEIVABLES**

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the consolidated group in the current year (2014: \$nil).

**(B) PAST DUE BUT NOT IMPAIRED**

Receivables past due but not considered impaired are \$nil (2014: \$nil). Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

**(C) FOREIGN EXCHANGE AND INTEREST RATE RISK**

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

**(D) FAIR VALUE AND CREDIT RISK**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

**15 CURRENT ASSETS - OTHER CURRENT ASSETS**

|                   | CONSOLIDATED   |            |
|-------------------|----------------|------------|
|                   | 2015<br>\$     | 2014<br>\$ |
| Accrued Income    | 117,255        | 107,110    |
| Prepayments       | 278,413        | 278,036    |
| Other receivables | 60,187         | 48,293     |
|                   | <b>455,855</b> | 433,439    |

**16 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT**

|                                      | CONSOLIDATED     |             |
|--------------------------------------|------------------|-------------|
|                                      | 2015<br>\$       | 2014<br>\$  |
| <b>Property, plant and equipment</b> |                  |             |
| Gross value                          | 3,670,050        | 3,682,402   |
| Accumulated depreciation             | (2,553,010)      | (2,364,178) |
|                                      | <b>1,117,040</b> | 1,318,224   |

|                         | PLANT AND EQUIPMENT |            |
|-------------------------|---------------------|------------|
|                         | 2015<br>\$          | 2014<br>\$ |
| <b>CONSOLIDATED</b>     |                     |            |
| Opening net book amount | 1,318,224           | 925,033    |
| Additions               | 1,055,021           | 818,776    |
| Depreciation charge     | (458,519)           | (402,726)  |
| Disposals               | (90,075)            | (22,859)   |
| Impairment of assets    | (707,611)           | -          |
| Closing net book amount | <b>1,117,040</b>    | 1,318,224  |

**17 NON-CURRENT ASSETS - INTANGIBLE ASSETS**

|  | CONSOLIDATED |            |
|--|--------------|------------|
|  | 2015<br>\$   | 2014<br>\$ |
| <b>Intellectual Property - Healthcare market</b> |              |            |
| Gross value                                      | 2,537,430    | 2,537,430  |
| Accumulated amortisation and impairment          | (2,537,430)  | (798,821)  |
|  | -            | 1,738,609  |
| <b>Intellectual Property - Clinical Trials</b>   |              |            |
| Gross value                                      | 401,584      | 401,584    |
|  | 401,584      | 2,140,193  |

| CONSOLIDATED                   | INTELLECTUAL<br>PROPERTY -<br>HEALTHCARE MARKET<br>\$ | INTELLECTUAL<br>PROPERTY -<br>CLINICAL TRIALS<br>\$ | TOTAL<br>\$ |
|--------------------------------|---|---|-------------|
| <b>Year ended 30 June 2015</b> |   |   |             |
| Opening net book amount        | 1,738,609   | 401,584   | 2,140,193   |
| Amortisation charge            | (281,937)   | -   | (281,937)   |
| Impairment charge              | (1,456,672)   | -   | (1,456,672) |
| Closing net book amount        | -   | 401,584   | 401,584     |

| CONSOLIDATED                   | INTELLECTUAL<br>PROPERTY -<br>HEALTHCARE MARKET<br>\$ | INTELLECTUAL<br>PROPERTY -<br>CLINICAL TRIALS<br>\$ | TOTAL<br>\$ |
|--------------------------------|---|---|-------------|
| <b>Year ended 30 June 2014</b> |   |   |             |
| Opening net book amount        | 2,020,545   | 401,584   | 2,422,129   |
| Amortisation charge            | (281,936)   | -   | (281,936)   |
| Closing net book amount        | 1,738,609   | 401,584   | 2,140,193   |

## IMPAIRMENT LOSSES RECOGNISED

### CONTINUING OPERATIONS

These assets were tested for impairment during the year ended 30 June 2015.

### IMPAIRMENT TESTS FOR INTANGIBLES

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

- Clinical Trials cash generating unit; and
- Healthcare market cash generating unit.

The carrying value of the intellectual property for the Healthcare market was considered impaired during the financial year ended 30 June 2015 and was written down to a zero carrying value. The initial recognition of intellectual property for the healthcare market occurred during the 2012 financial year, when Cogstate purchased the remaining 50% interest in the Axon Sports joint venture. As a result of the purchase, the accounting standards required a balance to be taken up in the consolidated financial statements for Intellectual Property. Whilst the recognition was related to the purchase of 50% of the Axon Sports joint venture, the actual Intellectual Property related to the core Cogstate technology that was being deployed in the healthcare market, in both concussion management as well as Cognigram in Canada. Given the uncertainty of future revenue from the healthcare market, a decision was made at 30 June 2015 to write down the carrying value of the intellectual property to a zero value.

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% (2014: 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 2015 and 30 June 2014.

**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% (2014: 20%). The cash generating unit's recoverable amount exceeds the carrying value of the cash generating unit.

**18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES**

|                    | CONSOLIDATED     |            |
|--------------------|------------------|------------|
|                    | 2015<br>\$       | 2014<br>\$ |
| Trade payables     | 1,010,452        | 309,597    |
| Accrued payables   | 1,482,609        | 532,677    |
| Revenue in advance | 55,288           | 278,585    |
|                    | <b>2,548,349</b> | 1,120,859  |

**19 CURRENT LIABILITIES - PROVISIONS**

|                         | CONSOLIDATED     |            |
|-------------------------|------------------|------------|
|                         | 2015<br>\$       | 2014<br>\$ |
| <b>Current</b>          |                  |            |
| Annual leave            | 880,602          | 712,708    |
| Long service leave      | 247,058          | 199,251    |
| Current provisions      | 1,127,660        | 911,959    |
| <b>Non-current</b>      |                  |            |
| Long service leave      | 22,108           | 6,820      |
| <b>Total provisions</b> | <b>1,149,768</b> | 918,779    |

**20 CONTRIBUTED EQUITY****(A) SHARE CAPITAL**

|                              | NOTES        | 2015<br>SHARES | 2014<br>SHARES | 2015<br>\$ | 2014<br>\$ |
|------------------------------|--------------|----------------|----------------|------------|------------|
| Ordinary shares              |              |                |                |            |            |
| Ordinary shares - fully paid | 20(b), 20(c) | 107,481,013    | 98,954,808     | 26,557,229 | 23,771,855 |

**(B) MOVEMENTS IN ORDINARY SHARE CAPITAL**

| DATE         | DETAILS   | NUMBER OF SHARES | \$         |
|--------------|---|------------------|------------|
| 1 July 2013  | Opening balance   | 77,213,085       | 16,262,304 |
|              | Exercise of options   | 1,599,801        | 531,983    |
|              | Issue of new shares via private placement   | 9,364,865        | 3,465,000  |
|              | Rights Issue  | 10,777,057       | 3,987,511  |
|              | Rights Issue Expenses   | -                | (474,943)  |
| 30 June 2014 | Balance   | 98,954,808       | 23,771,855 |
|              | Issue of new shares via private placement   | 8,000,000        | 2,000,000  |
|              | Exercise of options   | 526,205          | 65,088     |
|              | Transfer to share capital on exercise of options  | -                | 298,059    |
|              | Adjustment of lapsed options granted pursuant to sub-underwriting of rights issue not exercised | -                | 422,227    |
| 30 June 2015 | Balance   | 107,481,013      | 26,557,229 |

**(C) ORDINARY SHARES**

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

**(D) PRIVATE PLACEMENT**

On 12 May 2015, the company issued 8,000,000 shares at an issue price of \$0.25 via private placement to Dr Alan Finkel.

**(E) 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 2015.

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

**21 OTHER RESERVES****(A) OTHER RESERVES**

|                              | CONSOLIDATED   |            |
|------------------------------|----------------|------------|
|                              | 2015<br>\$     | 2014<br>\$ |
| Share-based payments         | 989,907        | 1,907,573  |
| Foreign currency translation | (131,218)      | (131,218)  |
|                              | <b>858,689</b> | 1,776,355  |

|   | NOTES | CONSOLIDATED   |            |
|---|-------|----------------|------------|
|   |       | 2015<br>\$     | 2014<br>\$ |
| <b>Movements:</b>   |       |                |            |
| <b>Share-based payments</b>                                 |       |                |            |
| Opening balance   |       | 1,907,573      | 1,465,243  |
| Option expense  | 26    | 96,813         | 230,528    |
| Issue of options for underwriting rights issue              |       | -              | 313,772    |
| Transfer to retained earnings                               |       | (294,193)      | (101,970)  |
| Adjustment of options issued for rights issue not exercised | 20(b) | (422,227)      | -          |
| Transfer to share capital on exercise of options            | 20(b) | (298,059)      | -          |
| Balance 30 June   |       | <b>989,907</b> | 1,907,573  |
| <b>Share based payments</b>                                 |       |                |            |
| Employees   |       | 731,428        | 1,717,338  |
| Non-Employees   |       | 258,479        | 190,235    |
|   |       | <b>989,907</b> | 1,907,573  |

|  | NOTES | CONSOLIDATED     |            |
|--|-------|------------------|------------|
|  |       | 2015<br>\$       | 2014<br>\$ |
| <b>Foreign currency translation</b>                      |       |                  |            |
| Opening balance  |       | (131,218)        | (171,704)  |
| Currency translation differences arising during the year |       | -                | 40,486     |
| Balance 30 June  |       | <b>(131,218)</b> | (131,218)  |

**(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 26 for further details of these plans.

Management have also granted options as compensation to two external industry consultants based in the US in recognition of their services to the company.

**(ii) Foreign currency translation**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**22 PARENT ENTITY FINANCIAL INFORMATION****(A) SUMMARY FINANCIAL INFORMATION**

|                             | 2015<br>\$   | 2014<br>\$  |
|-----------------------------|--------------|-------------|
| <b>Balance sheet</b>        |              |             |
| Current assets              | 12,494,980   | 16,740,515  |
| Total assets                | 14,631,349   | 19,509,880  |
| Current liabilities         | 3,432,265    | 1,862,376   |
| Total liabilities           | 3,454,373    | 1,862,376   |
| Net assets                  | 11,176,976   | 17,647,504  |
| <b>Shareholders' equity</b> |              |             |
| Issued capital              | 26,557,229   | 23,771,858  |
| Reserves                    |              |             |
| Share-based payments        | 537,190      | 1,460,458   |
| Retained earnings           | (15,917,444) | (7,584,812) |
| Total shareholders' equity  | 11,176,976   | 17,647,504  |
| Profit or loss for the year | (8,613,891)  | (1,456,801) |
| Total comprehensive income  | (8,613,891)  | (1,456,801) |

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

|  | 2015<br>\$     | 2014<br>\$ |
|--|----------------|------------|
| Financial guarantee in relation to commercial lease      | 88,784         | 88,784     |
| Contractual commitments in relation to commercial leases | 458,856        | 162,117    |
|  | <b>547,640</b> | 250,901    |

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

|   | CONSOLIDATED       |             |
|---|--------------------|-------------|
|   | 2015<br>\$         | 2014<br>\$  |
| Loss for the year   | (5,062,222)        | (3,888,395) |
| Depreciation and amortisation                             | 736,637            | 684,663     |
| Impairment of assets                                      | 2,164,283          | -           |
| Write off of assets                                       | (10,730)           | (13,412)    |
| Non-cash employee benefits expense - share-based payments | 96,813             | 230,528     |
| Fair value adjustment to derivatives                      | -                  | (91,529)    |
| Net exchange differences                                  | (32,686)           | (61,831)    |
| Change in operating assets and liabilities:               |                    |             |
| (Increase) in trade debtors and other receivables         | (2,129,699)        | 283,487     |
| (Increase) decrease in deferred tax assets                | (609,297)          | (689,849)   |
| (Increase) decrease in other operating assets             | (60,132)           | (32,944)    |
| (Decrease) increase in trade creditors                    | 1,427,488          | 293,982     |
| (Decrease) increase in provision for income taxes payable | 38,092             | 3,293       |
| (Decrease) increase in deferred tax liabilities           | 433,911            | (97,434)    |
| (Decrease) increase in other provisions                   | 230,988            | 93,847      |
| (Increase) decrease in prepayments                        | (371)              | (123,421)   |
| Net cash inflow (outflow) from operating activities       | <b>(2,776,925)</b> | (3,409,015) |

## 24 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 |        |
|--|--------------------------|----------------|--------|
|  |                          | 2015 %         | 2014 % |
| Cogstate Inc   | USA                      | 100            | 100    |
| Cogstate Sport Inc                                     | USA                      | 100            | 100    |
| Cogstate Sport LLC (formerly Axon Sports LLC)          | USA                      | 100            | 100    |
| Cogstate Sports Pty Ltd (formerly Axon Sports 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 25.

### (D) DIRECTOR-RELATED ENTITY TRANSACTION

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

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.

## 25 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (A) KEY MANAGEMENT PERSONNEL COMPENSATION

|                              | CONSOLIDATED     |            |
|------------------------------|------------------|------------|
|                              | 2015<br>\$       | 2014<br>\$ |
| Short-term employee benefits | 2,662,856        | 1,427,010  |
| Post-employment benefits     | 105,728          | 91,759     |
| Long-term benefits           | 21,350           | 21,705     |
| Termination benefits         | 180,697          | -          |
| Share-based payments         | 150,868          | 133,873    |
|                              | <b>3,121,497</b> | 1,674,347  |

Detailed remuneration disclosures are provided in the remuneration report on pages 32 to 44.

## 26 SHARE-BASED PAYMENTS

### (A) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

|   | CONSOLIDATED |            |
|---|--------------|------------|
|   | 2015<br>\$   | 2014<br>\$ |
| Options issued under employee share option plan | 96,813       | 230,528    |

Reconciliation of share-based payment expense for the 2015 financial year is as follows:

| CONSOLIDATED   | 2015<br>\$    | 2014<br>\$ |
|--|---------------|------------|
| Expense reversed as options not fully vested lapsed      | (109,943)     | (1,720)    |
| Expense for options issued during current financial year | 56,776        | 80,024     |
| Expense for options issued in previous financial years   | 149,980       | 152,225    |
|  | <b>96,813</b> | 230,528    |

**(B) EMPLOYEE OPTION PLAN**

An employee share scheme has been established where Cogstate Limited may, at the discretion of the Board, grant options over the ordinary shares of Cogstate Limited to executives and certain members of staff of the Group, and to directors, subject to shareholder approval in required circumstances. The options, issued for nil consideration directly to employees, are granted in accordance with guidelines established by the directors of Cogstate Limited, with a recommendation from the management of Cogstate Limited, although the directors retain the final discretion on the issue of options. From 2009, the options are issued for a period of 5 years. The previous existing plan issued options for a period of 10 years.

In most cases, one third of the options are exercisable on the second anniversary of the date of the grant. The remaining two thirds of the options are exercisable after the following 12 months. In respect of options issued to Mr Brad O’Connor, Chief Executive Officer and

approved by an Extraordinary Meeting of Shareholders on 22 February 2006, the following additional vesting conditions apply:

50% of the options can be exercised by Mr O’Connor when the share price of the Company’s ordinary shares reaches \$0.30 and for a period of at least one calendar month after the share price has reached \$0.30, the average closing price of the Company’s ordinary shares is at least \$0.30. This portion has now vested. The remaining 50% of the options can be exercised when the share price of the Company’s ordinary shares reaches \$0.40 and for a period of at least one calendar month after the share price has reached \$0.40, the average closing price of the Company’s ordinary shares is at least \$0.40. This portion vested during the financial year ended 30 June 2014.

The options cannot be transferred and will not be quoted on the ASX. There are no cash settlement alternatives. There are currently 4 directors and 23 executives/staff eligible for this scheme.

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

|  | <b>2015<br/>NO.</b> | <b>2015<br/>WAEP</b> | <b>2014<br/>NO.</b> | <b>2014<br/>WAEP</b> |
|--|---------------------|----------------------|---------------------|----------------------|
| Outstanding at the beginning of the year | 12,385,788          | \$0.23               | 10,519,290          | \$0.21               |
| Granted during the year                  | 3,810,000           | \$0.23               | 2,400,000           | \$0.36               |
| Forfeited during the year                | (1,586,667)         | \$0.29               | (60,000)            | \$0.36               |
| Exercised during the year                | (526,205)           | \$0.12               | (141,524)           | \$0.32               |
| Expired during the year                  | (1,567,500)         | \$0.25               | (331,978)           | \$0.38               |
| Outstanding at the end of the year       | 12,515,416          | \$0.23               | 12,385,788          | \$0.23               |

The outstanding balance as at 30 June 2015 is represented by

| NUMBER OF OPTIONS | GRANT DATE | VESTING DATE | EXPIRY DATE | EXERCISE PRICE |
|-------------------|------------|--------------|-------------|----------------|
| 847,500           | 02-Dec-05  | 01-Dec-08    | 01-Dec-15   | \$0.1150       |
| 150,000           | 19-Jan-06  | 26-May-09    | 19-Jan-16   | \$0.1150       |
| 25,000            | 26-May-06  | 26-May-09    | 26-May-16   | \$0.28         |
| 125,000           | 17-May-07  | 17-May-10    | 17-May-17   | \$0.21         |
| 250,000           | 08-Aug-07  | 08-Aug-10    | 08-Aug-17   | \$0.17         |
| 250,000           | 25-Oct-07  | 25-Oct-10    | 25-Oct-17   | \$0.17         |
| 604,583           | 01-Jul-08  | 05-Aug-11    | 05-Aug-18   | \$0.1027       |
| 500,000           | 06-Oct-08  | 23-Oct-11    | 23-Oct-18   | \$0.15         |
| 605,000           | 24-Oct-08  | 24-Oct-11    | 23-Oct-18   | \$0.1027       |
| 650,000           | 30-Apr-09  | 30-Apr-12    | 14-Sep-16   | \$0.20         |
| 350,000           | 26-Oct-10  | 26-Oct-13    | 26-Oct-15   | \$0.25         |
| 275,000           | 29-Nov-10  | 29-Nov-13    | 29-Nov-15   | \$0.25         |
| 100,000           | 07-Dec-10  | 07-Dec-13    | 07-Dec-15   | \$0.25         |
| 75,000            | 07-Dec-10  | 07-Dec-13    | 14-Sep-16   | \$0.25         |
| 433,333           | 25-Oct-11  | 25-Oct-14    | 25-Oct-16   | \$0.22         |
| 250,000           | 15-Nov-11  | 15-Nov-13    | 15-Nov-16   | \$0.28         |
| 500,000           | 15-Nov-11  | 15-Nov-14    | 15-Nov-16   | \$0.28         |
| 480,000           | 28-Nov-11  | 28-Nov-14    | 28-Nov-16   | \$0.22         |
| 100,000           | 28-Nov-11  | 28-Nov-14    | 14-Sep-16   | \$0.28         |
| 40,000            | 23-May-12  | 23-May-15    | 23-May-17   | \$0.36         |
| 346,667           | 29-Jul-13  | 29-Jul-15    | 29-Jul-18   | \$0.36         |
| 693,333           | 29-Jul-13  | 29-Jul-16    | 29-Jul-18   | \$0.36         |
| 133,331           | 31-Oct-13  | 31-Oct-15    | 31-Oct-18   | \$0.49         |
| 266,669           | 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         |
| 250,000           | 02-Jun-14  | 02-Jun-16    | 02-Jun-19   | \$0.28         |
| 500,000           | 02-Jun-14  | 02-Jun-17    | 02-Jun-19   | \$0.28         |
| 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         |
| 6,667             | 04-Aug-14  | 04-Aug-16    | 04-Aug-19   | \$0.28         |
| 13,333            | 04-Aug-14  | 04-Aug-17    | 04-Aug-19   | \$0.28         |
| 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         |
| 33,333            | 17-Nov-14  | 03-Nov-16    | 17-Nov-19   | \$0.26         |
| 66,667            | 17-Nov-14  | 03-Nov-17    | 17-Nov-19   | \$0.26         |
| 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         |
| 916,667           | 20-Mar-15  | 20-Mar-17    | 20-Mar-20   | \$0.21         |
| 1,833,333         | 20-Mar-15  | 20-Mar-18    | 20-Mar-20   | \$0.21         |
| 12,515,416        |            |              |             |                |

**(D) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE**

The weighted average remaining contractual life for the share options outstanding at 30 June 2015 is 3 years (2014: 3 years).

**(E) RANGE OF EXERCISE PRICE**

The range of exercise prices for options outstanding at the end of the year was \$0.12-\$0.49 (2014: \$0.10-\$0.49).

**(F) WEIGHTED AVERAGE FAIR VALUE**

The weighted average fair value of options granted during the year was \$0.2288 (2014: \$0.3594).

**(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 2015 and 30 June 2014:

| 2015                                  | 07-07-13 | 23-07-14 | 01-08-14 | 04-08-14 | 02-09-14 | 03-11-14 | 17-11-14 | 02-03-15 | 20-03-15 |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Dividend yield (%)                    | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Expected volatility (%)               | 44.00    | 44.00    | 44.00    | 44.00    | 44.00    | 44.00    | 44.00    | 44.00    | 44.00    |
| Risk-free interest rate (%)           | 3.11     | 3.03     | 3.11     | 3.08     | 2.99     | 2.84     | 2.86     | 2.24     | 2.13     |
| Expected life of option (years)       | 3        | 3        | 3        | 3        | 3        | 3        | 3        | 3        | 3        |
| Option exercise price (\$)            | 0.30     | 0.29     | 0.28     | 0.28     | 0.32     | 0.27     | 0.26     | 0.21     | 0.21     |
| Market share price at grant date (\$) | 0.26     | 0.25     | 0.24     | 0.24     | 0.28     | 0.23     | 0.22     | 0.17     | 0.17     |

| 2014                                  | 29-07-13 | 31-10-13 | 02-04-14 | 02-06-14 |
|---------------------------------------|----------|----------|----------|----------|
| Dividend yield (%)                    | 0        | 0        | 0        | 0        |
| Expected volatility (%)               | 44.00    | 44.00    | 44.00    | 44.00    |
| Risk-free interest rate (%)           | 3.06     | 3.06     | 3.68     | 3.24     |
| Expected life of option (years)       | 3.5      | 3        | 3        | 3        |
| Option exercise price (\$)            | 0.36     | 0.49     | 0.36     | 0.28     |
| Market share price at grant date (\$) | 0.36     | 0.45     | 0.31     | 0.24     |

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.

## 27 COMMITMENTS AND CONTINGENCIES

### (A) LEASE COMMITMENTS: GROUP AS LESSEE

#### (i) Non-cancellable operating leases

The Group has entered into commercial leases on the Group's premises in Melbourne and New Haven, as well as some items of plant and equipment. These leases have an average life of up to 6 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

|  | CONSOLIDATED     |         |
|--|------------------|---------|
|  | 2015             | 2014    |
|  | \$               | \$      |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: |                  |         |
| Within one year  | 438,818          | 411,695 |
| Later than one year but not later than five years  | 685,678          | 553,488 |
|  | <b>1,124,496</b> | 965,183 |

### (B) GUARANTEES

Cogstate Limited has a bank guarantee in place for \$88,784 in respect of the Company's obligations under the lease of premises at Level 2/255 Bourke Street, Melbourne.

### (C) CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2015 (2014: nil).

## 28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## 29 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 AND ASSOCIATED ENTITIES

|   | CONSOLIDATED |            |
|---|--------------|------------|
|   | 2015<br>\$   | 2014<br>\$ |
| <b>Audit and other assurance services</b>                 |              |            |
| Audit and review of financial statements                  | 64,801       | 64,539     |
| Total remuneration for audit and other assurance services | 64,801       | 64,539     |
| <b>Taxation services</b>                                  |              |            |
| Tax compliance services                                   | 70,850       | 53,900     |
| Total remuneration for taxation services                  | 70,850       | 53,900     |
| <b>Other services</b>                                     |              |            |
| Capital raising related services                          | -            | 22,810     |
| Total remuneration of Pitcher Partners                    | 135,651      | 141,249    |

### (B) NETWORK FIRMS OF PITCHER PARTNERS

|   | CONSOLIDATED |            |
|---|--------------|------------|
|   | 2015<br>\$   | 2014<br>\$ |
| <b>Other services</b>                                   |              |            |
| Taxation services                                       | 63,114       | 51,525     |
| Total remuneration for other services                   | 63,114       | 51,525     |
| Total remuneration of network firms of Pitcher Partners | 63,114       | 51,525     |
| <b>Total auditors' remuneration</b>                     | 198,765      | 192,774    |



# DIRECTOR'S DECLARATION

## In the directors' opinion:

- a) the financial statements and notes set out on pages 46 to 85 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
  - (ii) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
  - (iii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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 2015.

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



**Martyn Myer AO, DIRECTOR**  
Melbourne, 18 August 2015

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS TO THE MEMBERS OF COGSTATE LIMITED



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

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

## **Report on the Financial Report**

We have audited the accompanying financial report of Cogstate Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



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

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

*Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of Cogstate Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 32 to 44 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Cogstate Limited and controlled entities for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

**K L BYRNE**  
Partner

18 August 2015

**PITCHER PARTNERS**  
Melbourne

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 10 August 2015.

## A. DISTRIBUTION OF EQUITY SECURITIES

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

| HOLDING          | CLASS OF EQUITY SECURITY<br>ORDINARY SHARES |           |
|------------------|---|-----------|
|                  | SHARES                                      | OPTIONS   |
| 1 - 1,000        | 86  | -         |
| 1,001 - 5,000    | 129   | 4         |
| 5,001 - 10,000   | 96  | -         |
| 10,001 - 100,000 | 216   | 9         |
| 100,001 and over | 72  | 14        |
|                  | <b>599</b>                                  | <b>27</b> |

There were 125 holders of less than a marketable parcel of ordinary shares.

## B. EQUITY SECURITY HOLDERS

### TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

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

| NAME   | ORDINARY SHARES   |                             |
|--|-------------------|-----------------------------|
|  | NUMBER HELD       | PERCENTAGE OF ISSUED SHARES |
| National Nominees Limited                            | 20,107,786        | 18.71                       |
| Dagmar Dolby   | 19,776,389        | 18.40                       |
| Asia Union Investments Pty Ltd                       | 8,600,000         | 8.00                        |
| Nebula Neuro Pty Ltd                                 | 8,000,000         | 7.44                        |
| Beta Gamma Pty Ltd                                   | 6,355,705         | 5.91                        |
| Citicorp Nominees Pty Limited                        | 3,971,100         | 3.69                        |
| Dr Peter Anthony Bick & Ms Melanie Jo Gribble        | 2,940,431         | 2.74                        |
| Mr Bradley John O'Connor                             | 2,770,617         | 2.58                        |
| Daleford Way Pty Ltd                                 | 1,741,311         | 1.62                        |
| J P Morgan Nominees Australia Limited                | 1,608,471         | 1.50                        |
| Douglas Rosenberg                                    | 1,413,787         | 1.32                        |
| Mutual Trust Pty Ltd                                 | 1,129,806         | 1.05                        |
| Mr David Alexander Simpson & Mrs Dawn Gentry Simpson | 1,124,106         | 1.05                        |
| Alexander 2006 LLC                                   | 1,059,138         | 0.99                        |
| Howitt Nominees Pty Ltd                              | 1,000,000         | 0.93                        |
| Hsbc Custody Nominees (Australia) Limited            | 902,500           | 0.84                        |
| Mrs Erica Margaret Strong                            | 800,000           | 0.74                        |
| Mr Alistair David Strong                             | 800,000           | 0.74                        |
| Mr Campbell Dinwoodie Taylor                         | 765,426           | 0.71                        |
| Uob Kay Hian Private Limited                         | 755,823           | 0.70                        |
| Gust Consulting Pty Ltd                              | 600,000           | 0.56                        |
|  | <b>86,222,396</b> |                             |

## UNQUOTED EQUITY SECURITIES

|   | NUMBER ON ISSUE | NUMBER OF HOLDERS |
|---|-----------------|-------------------|
| Options to acquire ordinary shares, issued under the Directors' and Employees Share Option Plan | 12,515,416      | 27                |

## C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

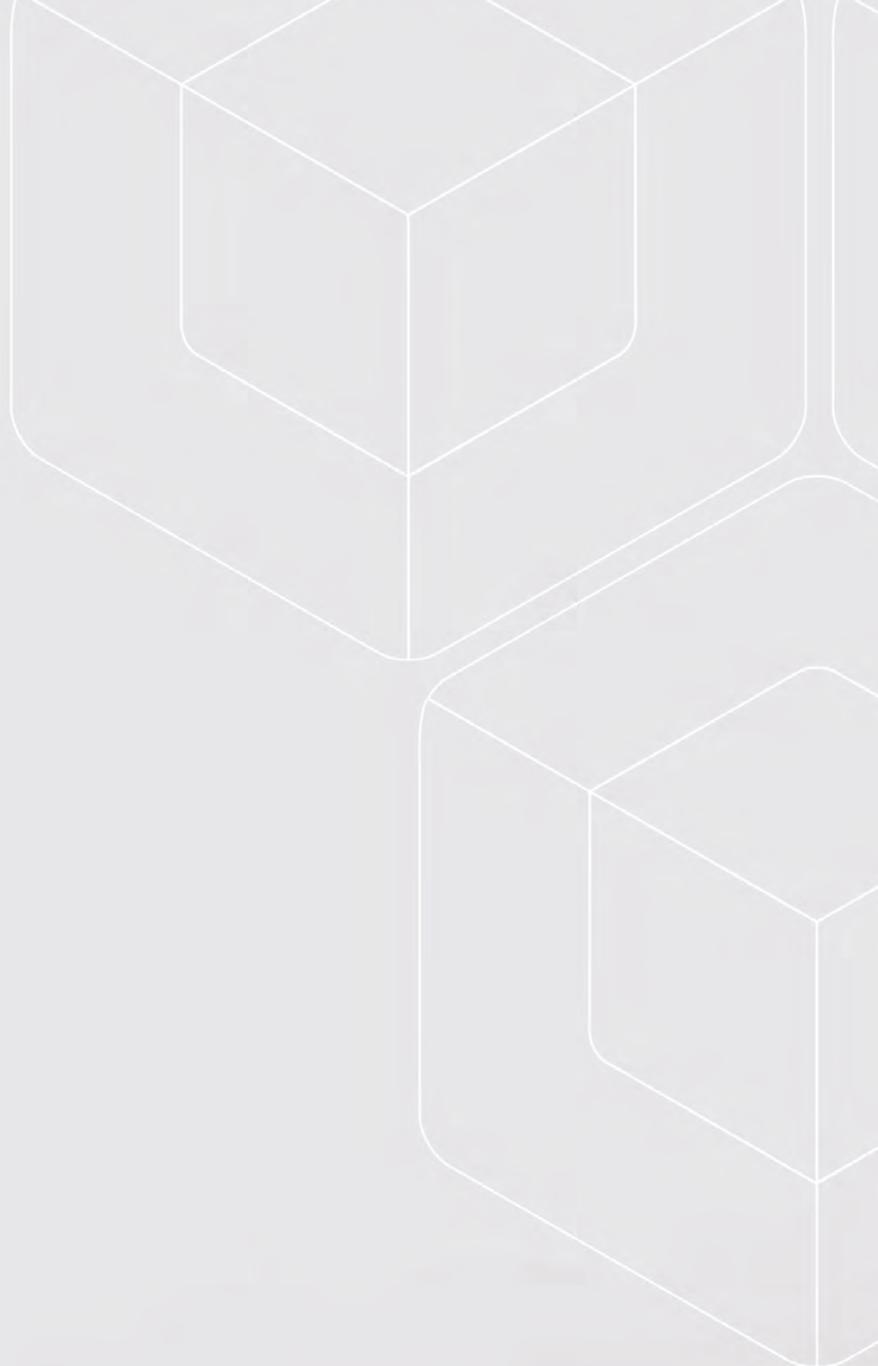
|  | NUMBER HELD       | PERCENTAGE   |
|--|-------------------|--------------|
| National Nominees Limited                      | 20,107,786        | 18.71        |
| Dagmar Dolby                                   | 19,776,389        | 18.40        |
| Beta Gamma Pty Ltd                             | 6,355,705         | 5.91         |
| Asia Union Investments Pty Ltd                 | 8,600,000         | 8.00         |
| Nebula Neuro Pty Ltd & Howitt Nominees Pty Ltd | 9,000,000         | 8.37         |
|  | <b>63,839,880</b> | <b>59.40</b> |

## D. VOTING RIGHTS

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

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





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