



Cogstate Limited
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12 September 2017

Company Announcements
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

RE: Cogstate Limited (CGS) FY17 Annual Report

Attached is a copy of the Annual Report for the year ended 30 June 2017 which is being sent to shareholders on 22 September 2017.

Yours sincerely

Claire Newstead-Sinclair
Company Secretary



Annual
Report
'17



Cogstate



Our purpose

We believe that **brain health** is profoundly important to **quality of life** and should be easier to measure.

Our promise

That's why we so passionately apply our expertise, access to data and flexible technology **to simplify the measurement of cognition.**

Our vision

It's our core focus, and we won't stop until cognitive assessment—**anyone, anytime, anyplace**—is a routine exercise across healthcare and clinical research.



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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 21 August 2017.

Business Milestones



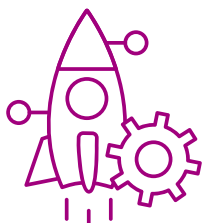
Continued growth in Clinical Trials revenue and profit

Clinical Trials revenue of A\$34.7m was up 28% on the prior year. The segment recorded a profit contribution of A\$19.1m, up 21% on the prior year. Over the last four years profit contribution grew from A\$6.2m in FY14 to A\$19.1m in FY17.



Growth in Clinical Trials market opportunity

US\$29.5m of sales contracts for the year represented 4% growth from last year. However, the pipeline of sales opportunities at 30 June 2017 was more than double that at the beginning of the financial year. The growth in sales opportunities reflects expansion of both customer base and average value of each proposal.

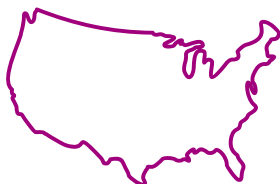


Expanded solutions for Clinical Trials

Cogstate is enabling future growth by investing in enhanced solutions to meet the current and future needs of clinical trials in central nervous system indications.

Larger, long-term observational and interventional studies are seeking more scalable, decentralised cognitive assessments, including home-based testing. Cogstate's engineers and scientists have worked to adapt our computerised assessments for more flexible, device-independent deployment models with features ideal for self-administration.

Cogstate has brought together clinical experts with learning experts to create a novel solution that drives efficiencies in the training, central monitoring and remediation of those administering traditional cognitive assessments in clinical trials. While most training programs focus on in-person, lecture-based training, the Cogstate solution is designed for "eLearning first", and integrates proprietary and commercially available technologies to deliver tailored training paths for novice vs. expert raters.



FDA clearance for U.S. healthcare market

On 27 July 2017 Cogstate received notification from the U.S. Food and Drug Administration (FDA) that the Cogstate computerised assessments (branded as Cognigram) had been cleared for commercial distribution in the United States. The FDA clearance enables Cogstate to begin selling our technology to hospitals, specialist doctors and general practitioners, thereby creating a completely new market for Cogstate technology.



Enhanced leadership experience and expertise

The board and management team were significantly strengthened by the addition of two senior management roles (Chief Operating Officer and President Healthcare), along with two additional independent non-executive board members.



Chairman's letter

To Our Shareholders,

For Cogstate, Financial Year 2017 was one of growth and achievement. We've undertaken extensive efforts to continue to transform our company to address not only the evolving needs in clinical trials for more effective and efficient cognitive testing solutions, but also the growing demands of patients and physicians for scalable digital brain health assessments in general practice medicine.

The commercial opportunity for Cogstate's clinical trials business has continued to grow over the past year, as a direct result of the strong foundation we have built to position Cogstate at the forefront of cognitive science and establish our brand as a leader in the measurement of brain health.

In the last 12 months Cogstate has expanded the size of its customer base and our ability to support these customers with a broader offering, as demonstrated by the increase in average value of each sales opportunity by more than 50%.

The combined effect of more – and larger – sales opportunities, across an increased customer base, has meant our sales pipeline of potential contracts has grown by more than 100%.

During the year, we signed US\$29.5 million in clinical trials contracts, up from US\$28.5 million in financial year 2016. Although the sales growth this year was modest, and impacted by delays to contract executions in the second half of the financial year, we are confident that the strong pipeline will translate to increased growth in sales contracts during the 2018 financial year.

Revenue from Clinical Trials for the year to 30 June 2017 was A\$34.7 million, up 28% from A\$27.1 million last year. As detailed in the coming pages of this report, the profit contribution from the Clinical Trials business increased to A\$19.1 million, an increase of 21% from the A\$15.8 million profit contribution from Clinical Trials in the 2016 financial year.

As mentioned above, in the Clinical Trials segment, we have expanded our offering including more flexible deployment models and modalities for computerised testing, as well as differentiated Rater Training and Monitoring solutions to meet the quality assurance needs of clinical trials. As a testament to our novel approach and its resonance with the challenges faced by clinical trial sponsors, Cogstate was selected as a preferred provider to the global healthcare leader, Eli Lilly and Company, to improve the way that research sites train and collect endpoint data across Lilly's portfolio of Alzheimer's disease studies.

In line with our stated strategy to drive further revenue growth in the clinical trials market and establish a market leading position in the primary healthcare market, we have invested this year in new technologies to enable future growth by demonstrating to our Clinical Trials customers that we have the capability and capacity to handle larger-scale projects, as well as ensuring we can deliver our solutions into new segments and new markets. We allocated additional funding to development of new technology, taking the total IT infrastructure and software development expenditure to almost \$7 million (approximately 20% of revenue). In the coming years, we plan to reduce software development expenditure as a percentage of revenue, but we believe that the current level of expenditure is important as we continue to increase market share by providing better solutions to our customers.

Since the formation of Cogstate we have been of the view that a large market opportunity exists for the provision of our software to specialist and general practice doctors to enable them to objectively and accurately assess the cognition of a patient – either on a single occasion or to measure change over time. Over the past year, substantial effort has gone into the development of Cognigram™, a digital cognitive assessment tool specifically designed for use by healthcare professionals, both in private practice and in hospitals.



Cognigram will help health professionals assess the cognitive impact of injury, stress, fatigue or diseases such as mild cognitive impairment, Alzheimer's disease and related dementias, a range of other conditions or mental health disorders, and the effects of medication or surgery, to inform a treatment or management plan.

We announced on 27 July 2017 that Cognigram had been cleared by the U.S. Food and Drug Administration (FDA), which will enable us to begin marketing Cognigram in the United States in the coming year.

We also added expertise and management strength during the year. Among the key additions included two new senior management appointments: George Hunnewell, appointed as COO and President of Clinical Trials. George brings more than 25 years' experience in growing healthcare technology businesses, and was most recently the Corporate Vice President of Paraxel International, one of the world's largest clinical research organisations (CROs).

We also appointed Frank Cheng, as President of Healthcare, to lead the commercialisation of Cogstate technology into the hospital and general practice markets. With more than 23 years' experience in the global medical device technology and diagnostic industries, Frank has extensive experience in bringing new technologies to market with expertise in product development, regulatory affairs and commercialisation. He was most recently Senior Vice President, Worldwide Marketing and Business Development, of Sterotaxis Inc, a publicly traded robotic heart surgery company.

I am also very pleased to welcome two new appointments to our Board of Directors, Jane McAloon and Richard Mohs. These extremely high calibre appointments strengthen the industry expertise and governance experience within the Board.

Jane McAloon, who chairs the Audit, Risk and Compliance Committee, brings her strong corporate governance background with large listed companies and is currently

on the Board of Healthscope and Energy Australia Ltd. During her executive career she was part of the Group Management of BHP Limited.

Richard Mohs, a leader in the area of neuroscience drug development, is the Chief Scientific Officer of the Global Alzheimer's Platform (GAP) and is on the Board of the Alzheimer's Drug Discovery Foundation. He retired from Eli Lilly in 2015, where he was Vice President for Neuroscience Early Clinical Development and Leader of the Global Alzheimer's Drug Development Team.

Looking forward, while there will be challenges, there is great opportunity as we pursue new markets and persist with Cogstate's commitment to innovation as our best path forward to create sustained value for patients, physicians, researchers —and for shareholders.

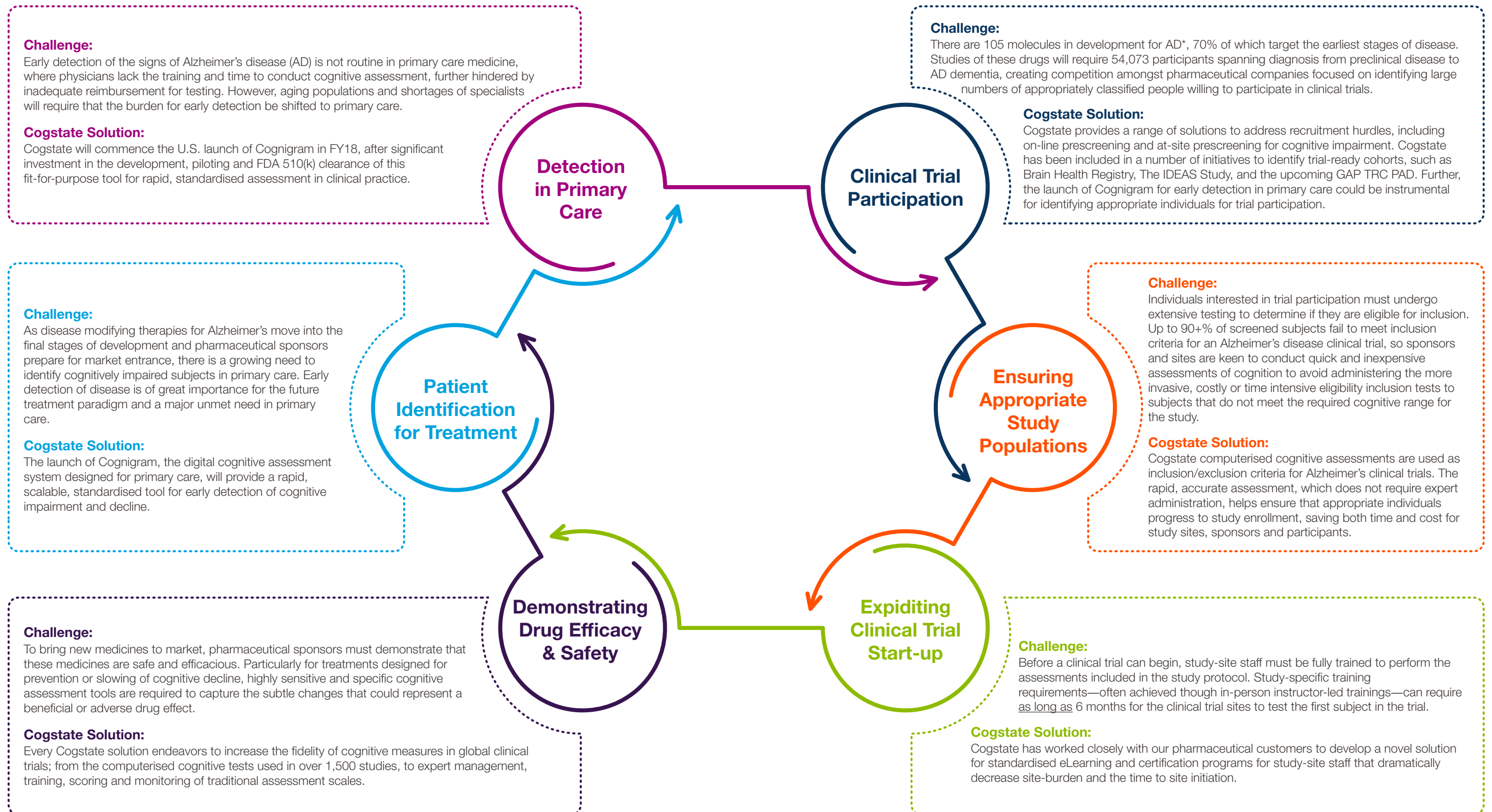
The entire Cogstate team is guided by the common belief that brain health is profoundly important to quality of life and should be easier to measure. We're dedicated to bringing better digital brain health assessments into more clinical trials and establishing them as standard of care in clinical practice. I remain very confident that we can and will succeed, and I am grateful for your support.

For the Board of Directors,

Martyn Myer AO, Chairman

A spotlight on the Alzheimer's disease global health crisis

Meeting the critical need for early detection & closing the loop between clinical trials & clinical practice



Summary of financial performance

Financial Performance	FY17 (AUD)	FY16 (AUD)
Clinical Trials		
Revenue	34,652,048	27,140,935
Cost of sales	(11,431,759)	(7,911,432)
Gross Margin	23,220,289	19,229,503
Selling, General & Admin costs	(4,186,511)	(3,441,848)
Pass-through costs, net of recovery	58,269	(12,487)
Clinical Trials contribution	19,092,047	15,775,168
Healthcare (incl. Sport)		
Revenue	272,850	90,814
Cost of sales	(1,117,942)	(528,232)
Other operating expenditure	(387,456)	(529,990)
Healthcare contribution	(1,232,548)	(967,408)
R&D (incl. academic research studies, normative data studies and new technology validation)		
Revenue	16,674	20,306
Cost of sales	(90,653)	(52,914)
Other operating expenditure - Salaries & Wages	(679,933)	(527,442)
R&D contribution	(753,912)	(560,050)
Product Development & Quality Assurance	(5,563,221)	(4,109,216)
IT Infrastructure	(1,398,006)	(1,096,139)
Share based payments	(959,213)	(175,860)
Office & Facilities	(1,078,446)	(686,774)
Other operating expenditure	(8,619,475)	(7,557,493)
Other income, incl. R&D tax rebate	44,006	565,169
Interest Income	74,463	79,787
Net foreign exchange losses	(422,311)	(228,404)
Other Expenditure (Net)	(17,922,203)	(13,208,930)
Net (Loss)/Profit before tax	(816,616)	1,038,780

Clinical Trials Profit Contribution

The table below details the profit contribution from the Clinical Trials segment over the last five financial years.

Clinical Trials	2013	2014	2015	2016	2017
Net New Business Awards (USD)	11,486,866	8,957,967	23,721,231	28,521,520	29,529,058
Revenue	11,313,323	10,779,519	15,702,044	27,140,935	34,652,048
Cost of Sales	(4,072,427)	(3,875,898)	(4,876,881)	(7,911,432)	(11,431,759)
Margin	7,240,897	6,903,621	10,825,163	19,229,503	23,220,289
<i>Gross Margin %</i>	64%	64%	69%	71%	67%
Selling, General & Admin costs	(661,188)	(841,778)	(1,922,440)	(3,441,848)	(4,186,511)
Pass-through costs, net of recovery	(57,919)	114,016	158,221	(12,487)	58,269
Clinical Trials contribution	6,521,790	6,175,860	9,060,945	15,775,169	19,092,047
<i>Profit Contribution/Revenue</i>	58%	57%	58%	58%	55%

Please Note: In this table, New Business Awards are denominated in US\$, while all revenue and expenses are denominated in AUD\$.

Over the last three financial years, growth in Clinical Trials sales (New Business Awards) has resulted in a significant increase in Clinical Trials revenue. Clinical Trials revenue of A\$34.7 million in the 2017 financial year was a 28% increase over the previous year.

Included within "Cost of Sales" are all direct costs associated with the delivery of technology and services, but excluding software development costs. With growth in revenue, we have demonstrated efficiency in delivery.

The increase in SG&A costs over the last three years corresponds with the creation and then the expansion of the business development (sales) team, including commissions paid.

Healthcare

Revenue from Healthcare in the 2017 and 2016 financial years predominantly resulted from the sale of Cogstate technology to professional sports teams for management of concussion / traumatic brain injury. Most of the professional sports teams utilising the Cogstate technology have been long-standing customers.

The direct and other costs incurred by the Healthcare segment predominantly relate to either the pilot deployment of Cognigram in Canada or costs associated with the submission of our application to the U.S. Food and Drug Administration (FDA) to allow Cogstate to begin marketing Cognigram in the United States. Cogstate received FDA clearance to begin marketing Cognigram in July 2017.

In November 2016, Cogstate appointed Frank Cheng as President Healthcare. Frank has responsibility for commercialisation of Cognigram worldwide. Full commercialisation activities will commence in the 2018 financial year, following the initial pilot in Canada and subsequent development of an optimal technology solution.

Research & Development

The R&D team at Cogstate is responsible for management of studies including academic research studies, normative data studies and studies designed to validate new Cogstate technology. Many of these studies have been instrumental in the commercial acceptance of Cogstate technology – including high profile public-private-partnerships, particularly in Alzheimer's disease research.

Product Development & Quality Assurance

Over the last two financial years, Cogstate has invested in the development of new technology solutions. During the first half of the 2017 financial year, many of the software engineering resources were deployed on the creation of the Cognigram system. During both 2016 and 2017 financial years, engineering efforts have also been dedicated to production of flexible, device independent deployment models with features ideal for self-administration of cognitive tests. These tests have been designed to operate on nearly any device with internet access, making Cogstate technology extremely accessible in a range of situations.





Corporate directory

Directors

Martyn Myer AO BE, MESC, MSM - Chairman
Brad O'Connor B Bus, CA
David Simpson BA (Honours) FAICD
Richard van den Broek CFA
David Dolby BSE, MBA
Richard Mohs PhD
Jane McAloon BEc (Hons), LLB, GDipGov, FAICD, FCIS

Secretary

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

Principal registered office in Australia

Level 2, 255 Bourke Street
Melbourne Vic 3000 Australia

Share and debenture register

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

Auditor

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

Solicitors

Clayton Utz
333 Collins Street, Melbourne Vic 3000

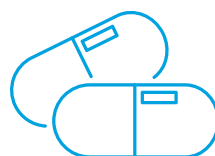
Bankers

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

Website

www.cogstate.com

Review of operations and activities



Principal activities and review of operations

Cogstate brings together science, innovation and operational excellence to optimise the measurement of cognition in clinical trials, academic research and healthcare. Through our enabling technologies and professional services, we provide quality-assurance solutions for traditional neuropsychological tests and commercialise rapid, reliable and highly sensitive digital brain health assessments. Cogstate customers include the world's leading biopharmaceutical companies; elite sporting organisations and military; physicians and patients; and renowned academic institutions and public-private partnerships.

Clinical Trials

Cogstate works with pharmaceutical and biotechnology companies to support clinical trials that seek to demonstrate a drug's impact on cognition. This includes the provision of computerised cognitive tests, as well as the management, training and monitoring for traditional cognitive assessments. Our full service solutions span the entire clinical trial lifecycle from study design to final statistical analysis. Recent expanded offerings include more flexible deployment models and modalities for computerised testing, as well as differentiated rater training and monitoring solutions to meet the quality assurance needs of clinical trials. Traditional cognitive, functional and behavioural assessments in clinical trials are inherently prone to variability, bias and human error, and when compounded by the global nature of large, late phase studies, these factors can detrimentally impact the quality and even outcome of a clinical trial. Services focused on rigorous training and monitoring of the individuals around the world who are responsible for administering the assessments (referred to as "raters") has long been the focus for ensuring conclusive studies; but this approach can be incredibly burdensome to raters and costly to the pharmaceutical company sponsoring the trial when not enabled by technologies or tailored to the experience and performance of the raters. To address these challenges and growing market requirements, Cogstate created the Cogstate Rater Academy. Integrating both proprietary and commercially available technologies, Cogstate brought together adult learning experts with clinical experts to develop a novel rater certification program that drives efficiencies in the identification, training, central monitoring and remediation of raters. While most rater training programs focus on in-person, lecture-based training, Rater Academy is designed for "eLearning first", with an emphasis on practice and demonstration of mastery. This approach allows expert raters to progress to certification rapidly, and delivers time, cost and quality advantages to clinical trial sponsors.



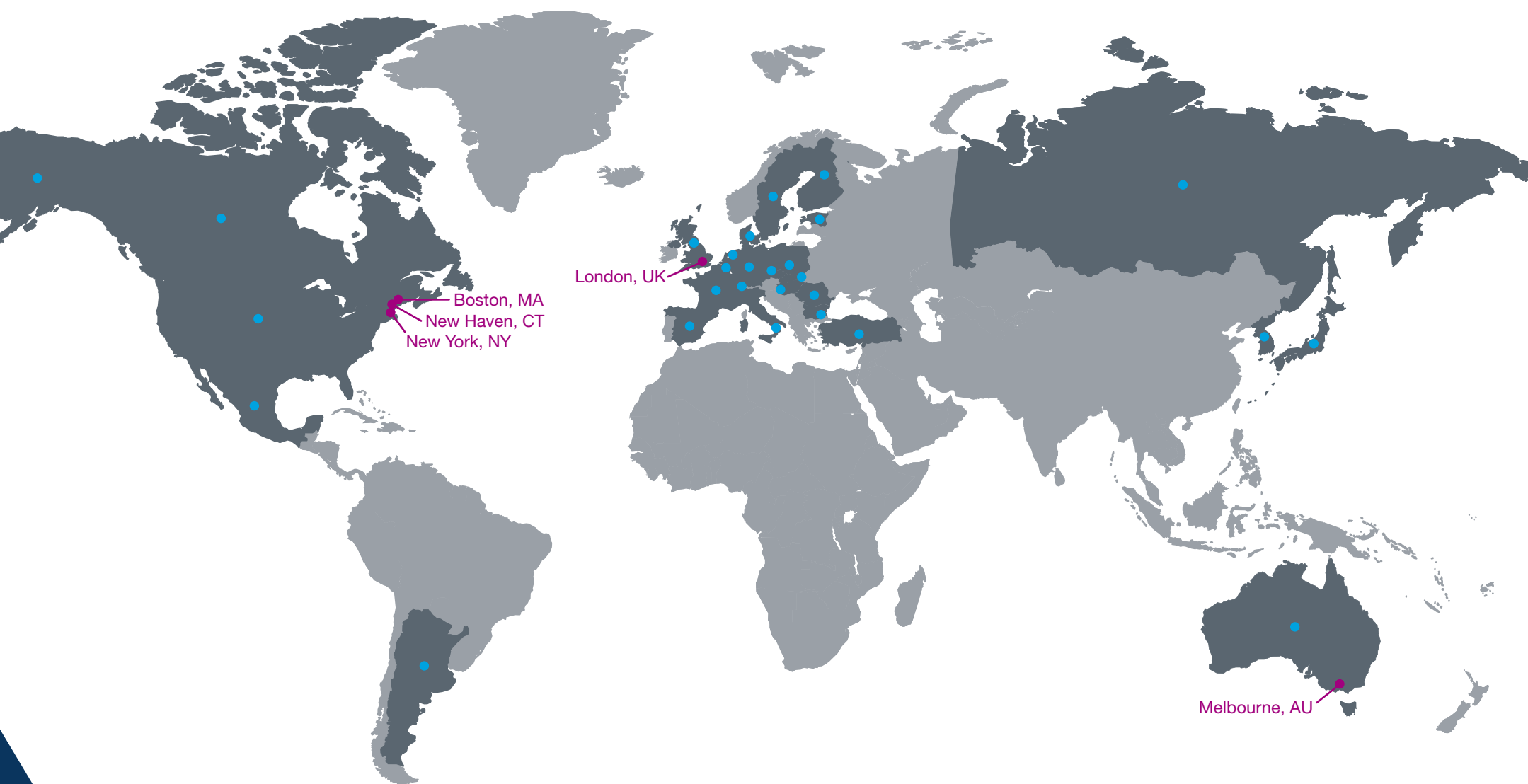
Academic Research

Cogstate has continued to support important international research studies and academic collaborations across various indications, including Alzheimer's disease, HIV, multiple sclerosis, paediatric and adult oncology, Parkinson's disease, epilepsy, and schizophrenia. To date, Cogstate has participated in over 1,200 academic research studies in more than 70 different indications, resulting in hundreds of peer reviewed publications. In Alzheimer's disease, Cogstate is at the forefront of leading prevention trials via its participation in key public private partnership studies such as the Anti-Amyloid Treatment in Asymptomatic Alzheimer's study (A4), the Dominantly Inherited Alzheimer Network Observational Study (DIAN), the Australian Imaging, Biomarker & Lifestyle Study of Ageing (AIBL), the Alzheimer's Disease Neuroimaging Initiative (ADNI), and the Global Alzheimer's Platform (GAP Foundation) Trial ready cohort for pre-clinical-prodromal Alzheimer's disease.



Healthcare

Cogstate has developed tools specifically designed to aid healthcare professionals with objective assessments of cognition in patients. The system, branded as Cognigram™, allows for regular and standardised testing to assist in the early detection of cognitive decline that could be related to a range of factors including head injury, neurodegenerative disease or side effects following pharmacological treatments. There are additional applications in areas such as pre- and post-operative care—especially critical in vulnerable or aging populations—to help ensure a full recovery and reduce rates of hospital re-admittance. Informative and automated reports allow clinicians to easily track a patient's cognitive change over time, compare results to age-matched normative data, and understand performance on both specific cognitive domains and composite scores. In the healthcare area of sports related concussion, while Cogstate technologies have been used for over a decade by a number of highly regarded institutions and sporting organisations around the world to support their concussion management protocols, Cogstate have long believed that a substantial market exists in the U.S. hospital and primary care market. Recent investments in product enhancements and process development have prepared Cogstate to pursue a 510(k) medical device regulatory submission to the U.S. Food and Drug Administration (FDA) for the Cognigram solution; and we announced on 27 July that the FDA completed their review and have cleared Cogstate to commence the marketing of Cognigram to U.S. health systems, hospitals, physician practices, elder care organisations, schools and sports teams.



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 Healthcare LLC;

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

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

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

Cogstate Canada Inc: incorporated in 2012 and wholly owned by Cogstate Ltd to market COGNIGRAM in Canada; and

Cogstate Spain SL: incorporated in 2013 and wholly owned by Cogstate Ltd.

Cogstate has 5 primary offices in the following locations:

- an Australian head office based in Melbourne;
- three office locations in the USA including a primary office in New Haven, CT and smaller offices in New York, NY and Boston, MA;
- and a European presence in London, UK.

Staff who are not based in one of these offices work remotely.

Local Expert Advisor (LEAD) Network

The Local Expert Advisors are bilingual, clinical psychologists or neuropsychologists in a consulting role at Cogstate delivering reviews of completed assessments that have been administered to subjects during international pharmaceutical clinical trials.

Cogstate Office Locations



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 2017 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
- Richard Mohs (appointed 20 January 2017)
- Jane McAloon (appointed 27 January 2017)



Information on directors

Martyn Myer AO

BE, MEd, MSM.

Chair - Non-Executive Chairman

Mr Myer is Chairman of Cogstate Limited. Mr Myer also chairs the Remuneration and Nomination Committee. Mr Myer also sits on the Audit, Risk and Compliance Committee, which he chaired until 22 February 2017 when the Chairmanship was handed over to Jane McAloon.

Mr Myer is not considered to be an independent director due to his substantial shareholding.

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.

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

Brad O'Connor

B Bus, CA

Chief Executive Officer

Managing Director and Chief Executive Officer since December 2005.

Mr O'Connor has responsibility for Cogstate's overall strategic direction and day-to-day operations as well as development of expansion opportunities outside of the core clinical trials business.

Prior to taking the position of CEO at Cogstate on 1 December 2005, Mr O'Connor joined Cogstate as Chief Financial Officer and Company Secretary in May 2004. Prior to that, Mr O'Connor held senior positions at Spherion Group, Australian Wine Exchange and PricewaterhouseCoopers. Mr O'Connor is a Chartered Accountant who holds a Bachelor of Business degree.

Mr O'Connor is also a director of Cogstate Inc., Cogstate Health Inc., Cogstate Canada Inc, Cogstate Sports Pty Ltd, Cogstate Healthcare LLC and Cogstate Spain SL.

David Simpson

BA (Honours) FAICD

Non-Executive Director

Mr Simpson is an independent non-executive Director. He sits on the Audit, Risk 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 Health Inc and Cogstate Healthcare LLC.

Information on directors (cont.)

Richard van den Broek CFA Non-Executive Director

Mr van den Broek is an independent non-executive Director. He sits on the Remuneration and Nomination Committee and sat on the Audit, Risk & Compliance Committee until 22 February 2017. Mr van den Broek is founder and managing partner of HSMR Advisors LLC, a U.S. based fund manager with an investment emphasis on small and mid-cap biotech public companies.

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

David Dolby BSE, MBA. Non-Executive Director

Mr Dolby is a non-executive Director. He sits on the Remuneration and Nomination Committee and sat on the Audit, Risk & Compliance Committee until 22 February 2017.

Mr Dolby is not considered to be an independent director due to his substantial shareholding.

Mr Dolby holds a BSE in Civil Engineering from Duke University, and an MBA from the Stanford Graduate School of Business. Mr Dolby represents the Dolby Family Trust on a number of technology, scientific research, and consumer products investments focusing on innovation and commercialising intellectual property. Mr Dolby 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, Mr Dolby was responsible for managing strategic partnerships and technology standards. Mr Dolby 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. Mr Dolby'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, Mr Dolby was an investment banking analyst focussed on technology with Perseus Group (now GCA Savvian).

Richard Mohs PhD. Non-Executive Director

Dr Mohs is a non-executive Director appointed on 20 January 2017. He sits on the Audit, Risk and Compliance Committee from 22 February 2017 as well as the Remuneration and Nomination Committee from 13 June 2017.

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

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

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

Information on directors (cont.)

Jane McAloon

BEC (Hons), LLB, GDipGov, FAICD, FCIS.
Non-Executive Director

Ms McAloon is a non-executive Director appointed on 27 January 2017. She chairs the Audit, Risk and Compliance Committee from 22 February 2017 and she also sits on the Remuneration and Nomination Committee from 13 June 2017.

Ms McAloon is currently a Non-Executive Director of Healthscope Ltd and Energy Australia Pty Ltd. Ms McAloon previously held various Australia State and Commonwealth Government positions, including Director General NSW Ministry of Energy and Utilities, Deputy Director General NSW Cabinet Office as well as senior executive roles in Rail, Land & Water Conservation and Forestry. She previously worked in private legal practice.

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

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

Company secretary

The company secretary is Ms Claire Newstead-Sinclair BBus, CA. Ms Newstead-Sinclair was appointed to the position of company secretary in 2010, prior to which she worked as a Finance Manager for OAMPS Insurance Brokers (now Arthur J. Gallagher), when it was part of the Wesfarmers Group. Claire is a Chartered Accountant who holds a Bachelor of Business degree and is a member of the Governance Institute of Australia. Claire commenced maternity leave on 16 May 2016 and returned 20 February 2017.

The company secretary appointed during Ms Newstead-Sinclair's period of leave is Ms Cindy Tilley, BCom, CPA. Ms Tilley completed a Bachelor of Commerce at the Australian National University and is a member of Certified Practising Accountants (CPA) Australia and the Australian Institute of Company Directors (AICD). Cindy has over 16 years' experience in finance and accounting, having commenced her career as an undergraduate in business services before joining Lend Lease where she held various senior finance roles spanning 15 years and most recently as Group Financial Controller and Company Secretary for Probuild.

Interests in the shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of Cogstate Limited were:

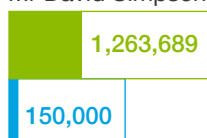
Mr Martyn Myer



Mr Brad O'Connor



Mr David Simpson



Mr Richard van den Broek



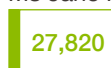
Mr David Dolby



Mr Richard Mohs



Ms Jane McAloon



 Number of Ordinary Shares
 Number of Options over Ordinary Shares

Principal activities

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

In the clinical trials segment, technology and services are sold to pharmaceutical, biotechnology, nutraceutical and functional food companies to quantify the effect of drugs or other interventions on human subjects participating in clinical trials. The technology and services encompass:

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

In an academic research setting, Cogstate provides access to many of the features of Cogstate computerised tests at no cost or at a heavily discounted price. The discounted pricing reflects the value that Cogstate places upon participating in ongoing academic studies and public-private partnerships because of the access to validating data, relationships and profile building provided by the inclusion of Cogstate technology in these studies.

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

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

Operating results for the year

For the year to 30 June 2017, Cogstate executed US\$29.6m of Clinical Trials sales contracts, a 4% increase on US\$28.5m sales contracts executed in the year to 30 June 2016. Cogstate executed US\$6.6m of Clinical Trials sales contracts in the second half of the financial year, compared to US\$23.0m in the first half of the financial year. The lower than expected level of sales contracts executed in the second half of the year impacted negatively on recognised revenue in the same period. The company recorded a Net loss after tax of \$0.82 million.

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 (2016: \$nil).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

No other matter or circumstance has arisen since 30 June 2017 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

The profit contribution from the Clinical Trials segment is expected to increase during the 2018 financial year, continuing the growth shown over the previous four financial years. Cogstate enters the 2018 financial year with contracted future Clinical Trials revenue of A\$37.5 million, of which A\$19.0 million is expected to be realised during the 2018 financial year. Additionally, through expansion of customer base and increase in average contract size, the Clinical Trials segment is expected to increase new business awards (sales contracts) during the 2018 financial year. Contracted revenue at the beginning of the 2018 financial year, combined with an increase in new business awards, will correspond with an increase in revenue and profit contribution from the Clinical Trials segment.

After receiving clearance from the US Food and Drug Administration (FDA) in July 2017, Cogstate will begin commercialisation in the USA of its technology to healthcare professionals in private practice and hospitals. Branded as Cognigram, the Cogstate system is a computerised self-assessment that can be completed both in-clinic or at home, providing the healthcare professional with an objective measurement of cognition for use in individuals from ages 6 - 99. Cogstate expects to record a loss of approximately US\$2.5 million in respect of Cognigram product launch, marketing and other commercialisation activities for the 2018 financial year.

Cogstate will continue to invest in the development of new technology. During the 2017 financial year, expenditure on Product Development and Quality Assurance totaled A\$5.6 million, which is expected to increase to approximately US\$5.2 million for the 2018 financial year.

From 1 July 2017, Cogstate will change its functional and presentation currency from AUD to USD.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

Martyn Myer AO

Full Meetings		Meetings of Committees		Audit, Risk & Compliance		Remuneration & Nomination
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Brad O'Connor

Full Meetings	
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David Simpson

Full Meetings		Meetings of Committees		Audit, Risk & Compliance		Remuneration & Nomination
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Richard van den Broek

Full Meetings		Meetings of Committees		Audit, Risk & Compliance		Remuneration & Nomination
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David Dolby

Full Meetings		Meetings of Committees		Audit, Risk & Compliance		Remuneration & Nomination
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Richard Mohs

Full Meetings		Meetings of Committees		Audit, Risk & Compliance		Remuneration & Nomination
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Jane McAloon

Full Meetings		Meetings of Committees		Audit, Risk & Compliance		Remuneration & Nomination
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 Eligible to attend  Attended

Audit, Risk & Compliance

Jane McAloon (c), Martyn Myer AO, David Simpson, Richard Mohs

David Dolby and Richard van den Broek stepped down from the Audit Committee on 22 February 2017.

Remuneration & Nomination

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

Unissued shares

As at the date of this report, there were 15,794,584 unissued ordinary shares under employee options. Refer to the remuneration report and Note 27 of the financial report for further details of the employee options outstanding.

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

Shares issued on the exercise of options

The following ordinary shares of Cogstate Limited were issued during the year ended 30 June 2017 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
23/08/2016	\$0.36	6,667
18/10/2016	\$0.28	500,000
18/10/2016	\$0.21	83,333
18/10/2016	\$0.36	25,000
18/10/2016	\$0.22	100,000
18/10/2016	\$0.36	10,000
20/10/2016	\$0.22	250,000
21/10/2016	\$0.22	50,000
28/10/2016	\$0.49	50,000
03/11/2016	\$0.22	100,000
18/11/2016	\$0.22	30,000
21/11/2016	\$0.22	100,000
26/05/2017	\$0.36	100,000
26/05/2017	\$0.21	133,333
24/05/2017	\$0.36	100,000
24/05/2017	\$0.21	33,333
01/06/2017	\$0.21	25,000
05/06/2017	\$0.21	100,000
29/06/2017	\$0.28	6,667
		1,803,333

Shares issued during the year to directors as a result of the exercise of options is disclosed within the Remuneration Report.

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	
	2017 \$	2016 \$
Taxation services		
Pitcher Partners firm (Melbourne):		
Tax services	94,775	64,145
Total remuneration for taxation services	94,775	64,145
Other services		
Network firms of Pitcher Partners	93,025	77,951
Total remuneration for non-audit services	187,800	142,096

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 26.

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

In relation to the independent audit for the year ended 30 June 2017, to the best of my knowledge and belief there have been:

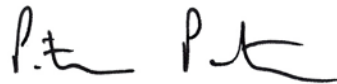
- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants*.

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



S SCHONBERG
Partner

21 August 2017



PITCHER PARTNERS
Melbourne

Audited remuneration report

The directors are pleased to present your company's 2017 remuneration report which sets out remuneration information for Cogstate Limited's executive directors, other key management personnel and non-executive directors.

This remuneration report outlines the executive and non-executive director 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 five executives in the Parent and the Group receiving the highest remuneration.

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

Directors and key management personnel disclosed in this report

Name	Position
Non-executive and executive directors see pages 16 to 20 above	
Other key management personnel	
Prof Paul Maruff	Chief Scientific Officer
George Hunnewell	Chief Operation Officer and President Clinical Trials (from 21 November 2016)
Frank Cheng	President Healthcare (from 21 November 2016)
Lammert Albers	Chief Commercial Officer
Craig Gravina	Chief Technology Officer (until 23 September 2016)

Remuneration principles

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

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

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

Role of the remuneration committee

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

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

Remuneration structure

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

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 design and implement a remuneration framework to meet the remuneration principles outlined above.

Structure

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

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

Base pay and benefits

Objective

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

Fixed remuneration is reviewed annually by the Remuneration Committee. 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, superannuation/pension and other benefits in lieu of salary.

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.

The STI is comprised of a component relating to company profitability and performance as well as individual executive performance. Based on execution of strategy the company balances investment in growth with profitability. The portion of the STI for overall company performance is between 33-55 per cent. Individual KPIs for senior executives comprise the balance. These KPIs also include financial measures such as sales growth and maintenance of gross margins, the net result of which is that financial measures (sales, margins and profitability) make up greater than 50 per cent of STI for senior executives.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Typically included are measures such as sales growth, process improvement, product development and leadership/team contribution. For the 2017 financial year, the mix of STI payments were 45% - 67% individual KPI's and 33% - 55% company profitability targets. The company profitability targets are tiered levels above the budgeted profit target for the year. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value. Company profitability targets were not achieved in the 2017 financial year and as a result KMP did not receive any STI payment for that portion of overall STI.

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

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 consistent with the Company's Employee Share Option Plan. Options are awarded to executives according to the seniority of the role, market expectations for similar roles and previous LTI grants to that employee (where applicable). LTI grants are not made each year, but are made as considered appropriate to attract new executives as well as provide both incentive and retention for existing executives.

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.

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

In November 2016, Cogstate employed two senior executives in the newly created roles of Chief Operating Officer and President Healthcare. The LTI issued in respect of each of these roles is subject to additional performance based vesting criteria designed to ensure alignment of reward with performance in the role. These performance criteria relate to top line sales growth and achievement of commercial goals.

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

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

All issues of options under the employee option plan since June 2009 have an exercise period of five years from the date of issue, 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.

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 17th October 2016 when shareholders approved an aggregate remuneration of \$450,000 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. Non-executive directors receive fees but do not receive options or bonus payments.

Previously non-executive directors, with the approval of shareholders, have been issued equity in the form of options issued under the non-executive director option plan, but this practice has ceased.

The remuneration of non-executive directors for the year ended 30 June 2017 is detailed later in this report.

Employment contracts

Chief Executive Officer

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

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

Other Executives (standard contracts)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The notice period is determined by the employment agreement for each executive and can vary from 30-180 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 2016 Annual General Meeting

Cogstate Limited received more than 77% of "yes" votes on its remuneration report for the 2016 financial year. Previously non-executive directors, with the approval of shareholders, have been issued equity in the form of options issued under the non-executive director option plan, but following feedback received during the year, this practice has ceased.

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	2017	2016	2015	2014	2013
(Loss)/profit for the year attributable to owners of Cogstate Limited (\$'000)	(817.0)	1,039.0	(5,214.0)	(4,545.0)	(1,660.0)
Basic (loss)/earnings per share (cents)	(0.7)	2.4	(5.1)	(4.3)	(2.6)
Dividends payments (\$'000)	-	-	-	-	-
Dividend ratio (%)	-	-	-	-	-
Increase/(decrease) in share price (%)	+46.2	+271.4	(30.0)	(17.0)	+20.0
Total KMP incentives as percentage of (loss)/profit for the year (%)	(94.1)	101.2	(15.0)	(3.0)	(22.0)

The above table illustrates the link between Cogstate Limited's (loss)/profit 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

2017	Short-term employee benefits			Post-employment benefits		Long-term benefits	Share-based payments	
Name	Cash salary and fees \$	Cash bonus* \$	Non-monetary benefits \$	Superannuation \$	Long-service leave \$	Termination benefits \$	Options \$	Total \$
Non-executive directors								
M Myer	91,324	-	-	8,676	-	-	35,502	135,502
D Simpson	25,000	-	-	35,000	-	-	19,500	79,500
R van den Broek	60,000	-	-	-	-	-	19,500	79,500
D Dolby	60,000	-	-	-	-	-	21,662	81,662
R Mohs ¹	35,730	-	-	-	-	-	-	35,730
J McAloon ²	34,247	-	-	3,253	-	-	-	37,500
Sub-total non-executive directors	306,301	-	-	46,929	-	-	96,163	449,393
Executive director								
B O'Connor	385,275	141,667	33,686	19,616	20,562	-	200,911	801,716
Other key management personnel (Group)								
P Maruff	350,025	76,000	20,385	19,616	324	-	51,910	518,260
G Hunnewell ^{#3}	261,786	86,630	-	6,599	-	-	77,405	432,421
F Cheng ^{#4}	237,987	78,755	-	5,963	-	-	141,790	464,495
L Albers [#]	444,124	385,362	-	23,863	-	-	86,622	939,971
C Gravina ^{#5}	130,266	-	-	-	-	236,425	15,775	382,466
Total key management personnel compensation (group)	2,115,763	768,413	54,071	122,586	20,886	236,425	670,576	3,988,720

Employee was paid in US\$ and payments were converted in to AU\$ at spot rate at the time of payments.
* Bonuses are accrued at 30 June and paid in August of the following financial year.
1 Richard Mohs joined the Cogstate Board on 20 January 2017 as a Non Executive Director
2 Jane McAloon joined the Cogstate Board on 27 January 2017 as a Non Executive Director
3 George Hunnewell was employed on 21 November 2016 as Chief Operating Officer & President Clinical Trials
4 Frank Cheng was employed on 21 November 2016 as President Healthcare
5 Craig Gravina resigned effective 23 September 2016

Details of remuneration (cont.)

2016	Short-term employee benefits			Post-employment benefits	Long-service leave	Long-term benefits	Share-based payments	Total
Name	Cash salary and fees	Cash bonus*	Non-monetary benefits	Superannuation		Termination benefits	Options	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
M Myer	89,269	-	-	8,481	-	-	4,461	102,211
D Simpson	22,500	-	-	35,000	-	-	4,461	61,961
R van den Broek	57,500	-	-	-	-	-	4,461	61,961
D Dolby	57,500	-	-	-	-	-	3,907	61,407
A Finkel ¹	26,256	-	-	2,494	-	-	-	28,750
Sub-total non-executive directors	253,025	-	-	45,975	-	-	17,290	316,290
Executive director								
B O'Connor	350,050	314,424	28,752	19,308	11,360	-	61,502	785,396
Other key management personnel (Group)								
P Maruff	333,055	190,961	22,637	19,308	11,377	-	38,062	615,400
L Albers [#]	405,541	381,537	-	6,196	-	-	30,759	824,033
K Jopling ^{#2}	220,015	65,097	-	7,206	-	-	6,969	299,287
C Gravina [#]	427,716	99,437	-	6,721	-	-	31,514	565,388
Total key management personnel compensation (group)	1,989,402	1,051,456	51,389	104,714	22,737	-	186,096	3,405,794

Employee was paid in US\$ and payments were converted in to AU\$ at spot rate at the time of payments.
* Bonuses are accrued at 30 June and paid in July of the following financial year.
1 Alan Finkel resigned on 31 December 2015
2 Kate Jopling was promoted to Operations Director on 1 September 2014 and was considered a part of key management personnel from 1 July 2015 until 30 June 2016

Details of remuneration (cont.)

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

Consolidated	STI		LTI *	
	2017 %	2016 %	2017 %	2016 %
Non-Executive Directors of Cogstate Limited				
M Myer	-	-	26	4
D Simpson	-	-	25	7
R van den Broek	-	-	25	7
D Dolby	-	-	27	6
Executive directors of Cogstate Limited				
B O'Connor	18	40	25	8
Other key management personnel of the group				
P Maruff	15	31	10	6
C Gravina	-	18	4	6
L Albers**	41	46	9	4
G Hunnewell	20	-	18	-
F Cheng	17	-	31	-

* 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.

** 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.

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

For further details relating to the options, refer to note 27.

Share-based compensation (cont.)

Options granted to Non-Executive Directors, Executive Directors and Key Management Personnel during the year are detailed in the below table:

	Vested number	Granted Number	Grant date	Fair value per option grant date	Exercise price per share \$	Final Vesting Date	First Exercise Date	Last Exercise Date	Value of options granted during the year \$	Value of options exercised during the year \$*	Value of options lapsed during the year \$
Non- Executive Directors of Cogstate Limited**											
Martyn Myer	-	200,000	17-Oct-16	\$0.59	\$0.84	17-Oct-19	17-Oct-18	17-Oct-21	\$32,004	\$85,000	\$0.00
David Simpson	-	100,000	17-Oct-16	\$0.59	\$0.84	17-Oct-19	17-Oct-18	17-Oct-21	\$16,002	\$32,500	\$0.00
Richard van den Broek	-	100,000	17-Oct-16	\$0.59	\$0.84	17-Oct-19	17-Oct-18	17-Oct-21	\$16,002	\$45,500	\$0.00
David Dolby	-	100,000	17-Oct-16	\$0.59	\$0.84	17-Oct-19	17-Oct-18	17-Oct-21	\$16,002	\$0.00	\$0.00
R Mohs	-	-									
J McAloon	-	-									
Executive Directors of Cogstate Limited											
B O’Connor	-	750,000	17-Oct-16	\$0.59	\$0.84	17-Oct-19	17-Oct-18	17-Oct-21	\$120,017	\$0.00	\$0.00
Key Management Personnel											
P Maruff		250,000	30-Sep-16	\$0.45	\$0.93	30-Sep-19	30-Sep-18	30-Sep-21	\$32,752	\$220,000	\$0.00
G Hunnewell		1,700,000	31-Dec-16	\$0.69	\$1.14	31-Dec-21	31-Dec-18	31-Dec-23	\$77,405	\$0.00	\$0.00
F Cheng		1,680,000	31-Dec-16	\$0.67	\$1.14	31-Dec-19	31-Dec-18	30-Jun-22	\$141,790	\$0.00	\$0.00
L Albers		500,000	30-Sep-16	\$0.45	\$0.93	30-Sep-19	30-Sep-18	30-Sep-21	\$65,504	\$0.00	\$0.00
C Gravina		-	-	-	-	-	-	-	-	\$466,666	\$143,333

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

**Previously non-executive directors, with the approval of shareholders, have been issued equity in the form of options issued under the non-executive director option plan, but this practice has ceased.

(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 2017 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Cogstate Limited							
M Myer	345,000	200,000	(100,000)	-	445,000	195,000	250,000
D Simpson	100,000	100,000	(50,000)	-	150,000	-	150,000
R van den Broek	150,000	100,000	(50,000)	-	200,000	50,000	150,000
B O'Connor	1,425,000	1,025,000	(25,000)	-	2,425,000	250,000	2,175,000
D Dolby	100,000	100,000	-	-	200,000	-	200,000
Total	2,120,000	1,525,000	(225,000)	-	3,420,000	495,000	2,925,000
Other key management personnel of the Group							
P Maruff	2,460,000	250,000	(250,000)	-	2,460,000	1,610,000	850,000
G Hunnewell	-	1,700,000	-	-	1,700,000	-	1,700,000
F Cheng	-	1,680,000	-	-	1,680,000	-	1,680,000
L Albers	1,000,000	500,000	-	-	1,500,000	333,333	1,166,667
C Gravina	1,000,000	-	(583,333)	(416,667)	-	-	-
Total	4,460,000	4,130,000	(833,333)	(416,667)	7,340,000	1,943,333	5,396,667

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

Director-related entity transactions

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

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

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.

(a) Equity instrument disclosures relating to key management personnel (cont.)

Consolidated 2016 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes*	Balance at end of the year	Vested and exercisable	Unvested
Directors of Cogstate Limited							
M Myer	395,000	50,000	(100,000)	-	345,000	261,666	83,334
D Simpson	83,333	50,000	(33,333)	-	100,000	16,666	83,334
R van den Broek	200,000	50,000	(100,000)	-	150,000	66,666	83,334
B O'Connor	2,232,500	1,150,000	(1,957,500)	-	1,425,000	91,666	1,333,334
D Dolby	-	100,000	-	-	100,000	-	100,000
A Finkel	-	50,000	-	(50,000)	-	-	-
Total	2,910,833	1,450,000	(2,190,833)	(50,000)	2,120,000	436,664	1,683,336
Other key management personnel of the Group							
P Maruff	2,610,000	-	(150,000)	-	2,460,000	1,160,000	1,300,000
L Albers	1,000,000	-	-	-	1,000,000	-	1,000,000
C Gravina	1,000,000	-	-	-	1,000,000	250,000	750,000
Total	4,610,000	-	(150,000)	-	4,460,000	1,410,000	3,050,000

(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 person related parties, are set out below. There were no shares granted during the reporting period as compensation.

Consolidated 2017 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Cogstate Limited				
Ordinary shares				
M Myer	19,507,786	100,000	-	19,607,786
D Simpson	1,213,689	50,000	-	1,263,689
R van den Broek	3,835,000	50,000	-	3,885,000
B O'Connor	4,914,183	25,000	-	4,939,183
D Dolby	19,776,389	-	-	19,776,389
R Mohs	-	-	20,000	20,000
J McAloon	-	-	27,820	27,820
Other key management personnel of the Group				
P Maruff	-	250,000	-	250,000

(a) Equity instrument disclosures relating to key management personnel (cont.)

Consolidated 2016 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Cogstate Limited				
Ordinary shares				
M Myer	18,907,786	100,000	500,000	19,507,786
D Simpson	1,180,356	33,333	-	1,213,689
R van den Broek	3,735,000	100,000	-	3,835,000
B O'Connor	3,156,683	1,982,500	(225,000)	4,914,183
D Dolby	19,776,389	-	-	19,776,389
Other key management personnel of the Group				
P Maruff	-	150,000	(150,000)	-

End of audited remuneration report

Rounding of amounts

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

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



Martyn Myer AO, Chairman
Melbourne, 21 August 2017

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

			Consolidated
	Notes	2017 \$	2016 \$
Operations			
Revenue	5	34,941,572	27,252,055
Finance income	5	74,463	79,787
Total Revenue	5	35,016,035	27,331,842
Cost of sales	6	(16,826,865)	(11,934,426)
Gross Profit		18,189,170	15,397,416
Other income	7	102,275	552,682
Employee benefits expense	8	(12,509,039)	(9,716,321)
Depreciation	9	(433,405)	(325,095)
Occupancy		(1,078,446)	(686,774)
Marketing		(599,639)	(704,495)
Professional fees		(617,071)	(457,919)
General Administration		(2,447,449)	(2,014,686)
Net foreign exchange loss		(422,311)	(228,404)
Travel expenses		(922,391)	(590,705)
Finance expenses		(77,729)	(65,788)
Other		(581)	(121,131)
(Loss)/profit before income tax		(816,616)	1,038,780
Income tax (expense)/benefit	10	(7,332)	1,603,139
(Loss)/profit from continuing operations		(823,948)	2,641,919
(Loss)/profit for the year		(823,948)	2,641,919
Total comprehensive income/(loss) for the year		(823,948)	2,641,919
(Loss)/profit is attributable to:			
Owners of Cogstate Limited		(823,948)	2,641,919
Total comprehensive (loss)/income for the year is attributable to:			
Owners of Cogstate Limited		(823,948)	2,641,919
Total comprehensive (loss)/income for the year attributable to owners of Cogstate Limited arises from:			
Continuing operations		(823,948)	2,641,919

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

Consolidated statement of profit or loss and other comprehensive income (cont.)

For the year ended 30 June 2017

	Notes	Cents	Cents
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic (loss)/earnings per share	13	(0.7)	2.4
Diluted (loss)/earnings per share	13	(0.7)	2.3
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the company:			
Basic (loss)/earnings per share	13	(0.7)	2.4
Diluted (loss)/earnings per share	13	(0.7)	2.3

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

Consolidated statement of financial position

As at 30 June 2017

		Consolidated	
	Notes	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	14	9,304,562	7,471,284
Trade and other receivables	15	5,057,574	5,260,768
Other current assets	16	1,200,359	937,358
Total current assets		15,562,495	13,669,410
Non-current assets			
Property, plant and equipment	17	2,093,514	1,713,357
Deferred tax assets	11	3,750,629	3,844,937
Intangible assets	18	401,584	401,584
Total non-current assets		6,245,727	5,959,878
Total assets		21,808,222	19,629,288
LIABILITIES			
Current liabilities			
Trade payables and other liabilities	19	4,617,989	3,390,367
Provisions	20	2,093,725	1,685,721
Total current liabilities		6,711,714	5,076,088
Non-current liabilities			
Deferred tax liabilities	12	618,370	723,720
Provisions	20	77,251	34,575
Total non-current liabilities		695,621	758,295
Total liabilities		7,407,335	5,834,383
Net assets		14,400,887	13,794,905
EQUITY			
Contributed equity	21	28,511,980	27,892,930
Other reserves	22(a)	1,371,916	561,036
Retained earnings		(15,483,009)	(14,659,061)
Capital and reserves attributable to owners of Cogstate Limited		14,400,887	13,794,905
Total equity		14,400,887	13,794,905

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

Consolidated statement of changes in equity

For the year ended 30 June 2017

Consolidated	Notes	Attributable to owners of Cogstate Limited				Total equity \$
		Contributed equity \$	Share based payments reserve \$	Foreign currency translation reserve \$	Retained earnings \$	
Balance at 1 July 2015		26,557,229	989,907	(131,218)	(17,300,980)	10,114,938
Profit for the year as reported in the 2016 financial statements		-	-	-	2,641,919	2,641,919
Total comprehensive income for the year		-	-	-	2,641,919	2,641,919
Transaction with owners in their capacity as owners						
Transfer to share capital on exercise of options	22	473,513	(473,513)	-	-	-
Exercise of options	21(b)	862,188	-	-	-	862,188
Cost of share-based payment	22	-	175,860	-	-	175,860
		1,335,701	(297,653)	-	-	1,038,048
Balance at 30 June 2016		27,892,930	692,254	(131,218)	(14,659,061)	13,794,905
Balance at 1 July 2016		27,892,930	692,254	(131,218)	(14,659,061)	13,794,905
Loss for the year as reported in the 2017 financial statements		-	-	-	(823,948)	(823,948)
Total comprehensive income for the year		-	-	-	(823,948)	(823,948)
Transactions with owners in their capacity as owners:						
Transfer to share capital on exercise of options	22	148,333	(148,333)	-	-	-
Exercise of options	21(b)	470,717	-	-	-	470,717
Cost of share-based payment	22	-	959,213	-	-	959,213
		619,050	810,880	-	-	1,429,930
Balance at 30 June 2017		28,511,980	1,503,134	(131,218)	(15,483,009)	14,400,887

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 2017

			Consolidated
	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		38,951,286	31,113,554
Payments to suppliers and employees		(36,342,934)	(29,108,845)
Research and Development tax rebate received		-	546,082
Net cash inflow from operating activities	24	2,608,352	2,550,791
Cash flows from investing activities			
Payments for property, plant and equipment		(1,286,733)	(1,629,958)
Interest received		74,130	79,787
Net cash (outflow) from investing activities		(1,212,603)	(1,550,171)
Cash flows from financing activities			
Proceeds from issues of shares		470,717	862,188
Net cash inflow from financing activities		470,717	862,188
Net increase in cash and cash equivalents		1,866,466	1,862,808
Cash and cash equivalents at the beginning of the financial year		7,471,284	5,497,197
Effects of exchange rate changes on cash and cash equivalents		(33,188)	111,279
Cash and cash equivalents at end of year	14	9,304,562	7,471,284

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

Notes to the consolidated financial statements

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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 Group consisting of Cogstate Limited and its subsidiaries.

(a) Basis of preparation

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

(i) Compliance with IFRS

The consolidated financial statements of the 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 2016 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 2016.

(iv) Historical cost convention

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

(v) Critical accounting estimates

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

(b) Principles of consolidation

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

The financial statements of each entity within the Group 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 Group's functional and presentation currency at 30 June 2017. From 1 July 2017, in respect of the year ending 30 June 2018 and all subsequent financial years the Group's functional and presentation currency will change to US dollars.

1 Summary of significant accounting policies (cont.)

(c) Foreign currency translation (cont.)

(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 restatement are recognised as revenues and expenses for the financial year.

(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 measured in accordance with the effective interest method.

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.

1 Summary of significant accounting policies (cont.)

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of non-financial assets

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

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

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

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

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

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits.

Short term deposits have a maturity term of up to six months.

Short term deposits are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(i) Financial instruments

Classification

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

Initial recognition and measurement

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

1 Summary of significant accounting policies (cont.)

(i) Financial instruments (cont.)

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 subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

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

(j) Property, plant and equipment

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

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

- Office Equipment 3 - 15 years
- Computer Equipment 1 - 5 years

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

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

(k) Intangible assets

(i) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets include acquired intellectual property rights over key business technologies and processes. These intangible assets relating to the Clinical Trials business unit have been determined to have indefinite useful lives and the cost model is utilised for their measurement. These technologies form the basis of the Cogstate business and this fact has allowed the Group to determine that these assets have an indefinite useful life.

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

(ii) Research and development

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

Other development expenditure is recognised as an expense when incurred.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

1 Summary of significant accounting policies (cont.)

(m) Employee benefits

(i) Short-term employee benefit obligations

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

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

(iii) Share-based payments

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

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

- The Non-Executive Director Share Option Plan (NEDOP), which provides benefits to directors. Previously non-executive directors, with the approval of shareholders, have been issued equity in the form of options under the non-executive director option plan, but this practice has ceased.
- The Employee Share Option Plan (ESOP), which provides benefits to senior executives and employees. Information relating to these schemes is set out in note 27.

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

In valuing equity-settled transactions, the Board has the option to impose additional vesting criteria, in the form of performance hurdles that must be met before an option will vest; as well as no account is taken of any performance conditions, other than conditions linked to the price of the shares of Cogstate Limited (market conditions) if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of (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.

1 Summary of significant accounting policies (cont.)

(m) Employee benefits (cont.)

(iii) Share-based payments (cont.)

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 13).

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(o) Comparatives

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

(p) Rounding of amounts

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

(q) 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.

The key changes that may affect the Group on initial application of AASB 9 and associated amending Standards include:

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

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

1 Summary of significant accounting policies (cont.)

(q) New accounting standards and interpretations (cont.)

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

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

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's reported revenue, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

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

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

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

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 analysis and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

		Consolidated
	2017 \$	2016 \$
Financial assets		
Cash and cash equivalents	9,304,562	7,471,284
Trade and other receivables	5,057,574	5,260,768
	14,362,136	12,732,052
Financial liabilities		
Trade payables and other liabilities	4,617,989	3,390,367

(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 EUR/A\$ exchange rates. Approximately 99.9% of the Group's sales are denominated in currencies other than the functional currency, whilst approximately 19% 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. From 1 July 2017, in respect of the year ending 30 June 2018 and all subsequent financial years, the Group's functional and presentation currency will change from Australian dollars to US dollars.

2 Financial risk management (cont.)

(a) Market risk (cont.)

(i) Foreign exchange risk (cont.)

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

Consolidated	30 June 2017 AUD \$	30 June 2016 AUD \$
Cash and cash equivalents	5,651,581	4,165,415
Trade receivables	5,145,547	5,431,083
Trade payables	(2,486,184)	(1,868,868)
Provisions	(1,046,432)	(810,110)
Income tax	(478,219)	(653,063)
Net exposure	6,786,293	6,264,457

Sensitivity

At 30 June 2017, 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 = \$US0.7692 and \$A1.00 = EUR0.6730, post tax profit and equity would have been affected as follows:

	Post Tax Profit/(Loss)		Equity	
	Higher/(Lower) 2017 \$	Higher/(Lower) 2016 \$	Higher/(Lower) 2017 \$	Higher/(Lower) 2016 \$
AUD:USD + 10%	(\$550,698)	(\$579,996)	(\$550,698)	(\$579,996)
AUD:EUR + 10%	(\$65,727)	(\$35,420)	(\$65,727)	(\$35,420)
Total	(\$616,425)	(\$615,416)	(\$616,425)	(\$615,416)
AUD:USD - 10%	\$673,075	\$605,055	\$673,075	\$605,055
AUD:EUR - 10%	\$81,270	\$34,871	\$81,270	\$34,871
Total	\$754,345	\$639,926	\$754,345	\$639,926

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:

Consolidated	30 June 2017 \$	30 June 2016 \$
Cash at bank and on hand	5,814,420	4,619,221
Short-term deposits	3,490,142	2,852,063
Net exposure to interest rate risk	9,304,562	7,471,284

2 Financial risk management (cont.)

(a) Market risk (cont.)

(ii) Interest rate risk (cont.)

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 loss for the year and equity is as follows:

	Post Tax Profit/(Loss)		Equity	
	Higher 2017 \$	(Lower) 2016 \$	Higher 2017 \$	(Lower) 2016 \$
Increase 1%	\$93,046	\$74,713	\$93,046	\$74,713
Decrease 0.5%	\$46,523	\$37,356	\$46,523	\$37,356

(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:

Recovery of deferred tax assets

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

Impairment of non-financial assets other than goodwill

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

Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. No impairment loss was recognised during the current year. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 18.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, with the assumptions detailed in note 27. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity. For options with performance based hurdles, probabilities have been assessed at 30 June as to whether the hurdles will be met by the option vesting dates.

Long service leave provision

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

Estimation of useful lives of assets

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

4 Segment information

(a) Description of segments

Identification of reportable segments

The Group has three reportable segments as described below:

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

The operating segments are identified by management based on the market to which the services are provided (i.e. cognitive assessment in clinical trials, cognitive assessment in academic research and cognitive assessment in healthcare). Discrete financial information is reported to the executive management team on at least a monthly basis, as these are the source of the Group's major risks and have the most effect on the rates of return.

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

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

Types of services

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

The second operating segment is the healthcare market. In this market, the technology and associated services are provided as a tool for healthcare professionals in clinical practice and/or hospitals to assess cognition.

The third identified segment is provision of technology and associated services to academic researchers, however, this market is not currently significant to Cogstate's results and is not reported as a separate operating segment.

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

4 Segment information (cont.)

(b) Segment information

The following table's present revenue and profit/(loss) information regarding the segments of clinical trials and healthcare markets for the years ended year ended 30 June 2017 and 30 June 2016.

Consolidated 2017	Clinical Trials (Including on-site and on-line screening) \$	Healthcare (Including concussion management) \$	Administration (Including research) \$	Total \$
Sales to external customers	34,652,048	272,850	16,674	34,941,572
Revenue from external customers	34,652,048	272,850	16,674	34,941,572
Cost of Sales	(15,618,270)	(1,117,942)	(90,653)	(16,826,865)
Total Segment Gross Profit/(loss)	19,033,778	(845,092)	(73,979)	18,114,707
Interest revenue	-	-	74,463	74,463
Total gross profit per statement of profit or loss and other comprehensive income				18,189,170
Net Pass-through Recovery	58,269	-	-	58,269
Operating profit/(loss)	19,092,047	(845,092)	(18,186,946)	60,009
Depreciation	-	-	(433,405)	(433,405)
Foreign exchange losses realised and unrealised	-	-	(422,311)	(422,311)
Profit on disposal of assets	-	-	12,814	12,814
Royalty income	-	-	44,006	44,006
Finance costs	-	-	(77,729)	(77,729)
Segment result	19,092,047	(845,092)	(19,063,571)	(816,616)
Profit/(loss) before tax per statement of profit or loss and other comprehensive income	19,092,047	(845,092)	(19,063,571)	(816,616)

4 Segment information (cont.)

(b) Segment information (cont.)

Consolidated 2016	Clinical Trials (Including on-site and on-line screening) \$	Healthcare (Including concussion management) \$	Administration (including research) \$	Total \$
Sales to external customers	27,140,935	90,814	20,306	27,252,055
Revenue from external customers	27,140,935	90,814	20,306	27,252,055
Cost of Sales	(11,353,280)	(528,232)	(52,914)	(11,934,426)
Total Segment Gross Profit	15,787,655	(437,418)	(32,608)	15,317,629
Interest revenue	-	-	79,787	79,787
Total gross profit per statement of profit and loss and other comprehensive income				15,397,416
Net Pass-through Recovery	(12,487)	-	-	(12,487)
Operating profit	15,775,168	(437,418)	(14,217,730)	1,120,020
Depreciation	-	-	(325,095)	(325,095)
Foreign exchange losses realised and unrealised	-	-	(228,404)	(228,404)
Loss on disposal of assets	-	-	(27,122)	(27,122)
Royalty income	-	-	19,087	19,087
Finance costs	-	-	(65,788)	(65,788)
Research and Development Grant	-	-	546,082	546,082
Segment result	15,775,168	(437,418)	(14,298,970)	1,038,780
Profit/(loss) before tax per statement of profit or loss and other comprehensive income	15,775,168	(437,418)	(14,298,970)	1,038,780

(c) Segment revenue

Cogstate Ltd had three external customers whose respective contribution to total Cogstate Ltd revenue exceeded 10% during the current financial year. Those customers and their respective contributions to total revenue included:

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

In 2016, 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 \$ 4.9m
- Eli Lilly and Company \$ 4.7m

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
	2017	2016
	\$	\$
From continuing operations		
Sales revenue		
Sale of services and licenses in clinical trials	34,652,048	27,140,935
Sale of services and licenses in healthcare and sport	272,850	90,814
Sale of services and licenses in research	16,674	20,306
	34,941,572	27,252,055
Finance income	74,463	79,787
	35,016,035	27,331,842

6 Cost of sales

		Consolidated
	2017	2016
	\$	\$
Cost of sales		
Direct Wages and Salaries	(14,294,209)	(10,174,823)
Direct Contractors	(987,513)	(692,867)
Direct Depreciation	(589,403)	(544,140)
Other Cost of Sales	(955,740)	(522,596)
Total cost of sales	(16,826,865)	(11,934,426)

7 Other income

		Consolidated
	2017	2016
	\$	\$
Royalty revenue	44,006	19,087
Research and Development Grant rebate	-	546,082
Net pass-through recovery	58,269	(12,487)
	102,275	552,682

8 Employee benefit expense

		Consolidated
	2017	2016
	\$	\$
Employee benefit expenses		
Wages & Salaries	(11,549,826)	(9,540,461)
Share based payments expenses	(961,056)	(175,860)
Total employee benefit expenses	(12,509,039)	(9,716,321)

9 Depreciation

		Consolidated
	2017 \$	2016 \$
Depreciation		
Other indirect depreciation expense	(433,405)	(325,095)
Total depreciation	(433,405)	(325,095)

Depreciation on equipment used directly in the generation of revenue (Direct Depreciation) has been disclosed as part of Cost of Sales in Note 6. Total depreciation, both direct and indirect, was \$1,022,808 in 2017 and \$869,235 in 2016.

10 Income tax expense

(a) Income tax expense/(benefit)

		Consolidated
	2017 \$	2016 \$
Current tax	43,739	(1,603,139)
Deferred tax	23,602	-
(Over)/under provision in prior years	(60,009)	73,182
	7,332	(1,529,957)
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	7,332	(1,603,139)

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

		Consolidated
	2017 \$	2016 \$
(Loss)/profit from continuing operations before income tax expense	(816,616)	1,038,780
Prima Facie Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	(244,985)	311,634
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenditure not deductible for income tax purposes (incl. R&D)	27,096	111,735
(Over)/under provision in prior periods	(60,009)	73,182
Non-deductible share-based payments	345,501	52,758
Tax losses not recognised	59,146	144,165
Previously unrecognised tax losses now recognised	(119,417)	(2,296,613)
Income tax expense/(benefit)	7,332	(1,603,139)

10 Income tax expense (cont.)

(c) Tax losses

		Consolidated
	2017 \$	2016 \$
Unrecognised deferred tax asset on unused tax losses (cumulative)	382,910	330,024
Potential tax benefit of foreign losses (current year)	59,146	144,165

The benefit will only be obtained if:

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

11 Non-current assets - Deferred tax assets

		Consolidated
	2017 \$	2016 \$
The balance comprises temporary differences attributable to:		
Tax losses	1,376,250	2,624,166
R&D tax offsets	998,812	508,949
Employee benefits	755,832	594,796
Rights Issue Expenses	-	27,629
Accrued expenses	535,076	60,849
Unrealised foreign exchange loss	57,099	-
Doubtful debts	27,560	28,548
	3,750,629	3,844,937

12 Non-current liabilities - Deferred tax liabilities

		Consolidated
	2017 \$	2016 \$
The balance comprises temporary differences attributable to:		
Accrued interest income	1,934	2,862
Unrealised foreign exchange gain	616,436	720,858
	618,370	723,720

13 Earnings per share

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

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

(a) Basic earnings per share

		Consolidated
	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the company	(0.7)	2.4
Total basic earnings per share attributable to the ordinary equity holders of the company	(0.7)	2.4

(b) Diluted earnings per share

		Consolidated
	2017 Cents	2016 Cents
From continuing operations attributable to the ordinary equity holders of the company	(0.7)	2.3
Total diluted earnings per share attributable to the ordinary equity holders of the company	(0.7)	2.3

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

		Consolidated
	2017 \$	2016 \$
Basic earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
Used in calculating basic earnings per share	(823,948)	2,641,919
Diluted earnings per share		
(Loss)/profit from continuing operations attributable to the ordinary equity holders of the company		
Used in calculating basic earnings per share	(823,948)	2,641,919

13 Earnings per share (cont.)

(d) Weighted average number of shares used as denominator

		Consolidated
	2017 Number	2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	112,814,174	109,763,493
Adjustments for calculation of diluted earnings per share:		
Options	-	6,618,513
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	112,814,174	116,382,006

(e) Information on the classification of securities

(i) Options

Options granted to employees under the Cogstate Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 27.

14 Current assets - Cash and cash equivalents

		Consolidated
	2017 \$	2016 \$
Cash at bank and in hand	5,814,420	4,619,221
Short-term deposits	3,490,142	2,852,063
	9,304,562	7,471,284

(a) Reconciliation to cash at the end of the year

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

15 Current assets - Trade and other receivables

		Consolidated
	2017 \$	2016 \$
Trade receivables	5,149,442	5,355,926
Provision for impairment of receivables	(91,868)	(95,158)
	5,057,574	5,260,768

		Consolidated
	2017 \$	2016 \$
Movements in the provision for impairment were:		
Opening balance at 1 July	(95,158)	-
Change for the year	-	(95,158)
Amounts written off	-	-
Foreign exchange translation	3,290	-
Closing balance at 30 June	(91,868)	(95,158)

Trade and other receivables ageing analysis at 30 June is:

	Gross 2017 \$	Gross 2016 \$
Not past due	5,062,669	5,277,232
Past due 30-59 days	9,797	4,920
Past due 60-89 days	8,191	5,407
Past due more than 90 days	68,785	68,367
	5,149,442	5,355,926

(a) Impaired trade receivables

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Impairment loss of \$91,868 has been recognised by the Group in the current year (2016: \$95,158).

(b) Past due but not impaired

Receivables past due but not considered impaired are \$nil (2016: \$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.

16 Current assets - Other current assets

		Consolidated
	2017 \$	2016 \$
Accrued Income	117,460	201,642
Prepayments	793,885	633,870
Other receivables	289,014	101,846
	1,200,359	937,358

17 Non-current assets - Property, plant and equipment

		Consolidated
	2017 \$	2016 \$
Property, plant and equipment		
Gross value	5,493,531	4,720,179
Accumulated depreciation	(3,400,017)	(3,006,822)
	2,093,514	1,713,357

	Plant and equipment \$	Total \$
Consolidated		
Year ended 30 June 2017		
Opening net book amount	1,713,357	1,713,357
Additions	1,451,579	1,451,579
Depreciation charge	(1,022,808)	(1,022,808)
Impairment of assets	(48,614)	(48,614)
Closing net book amount	2,093,514	2,093,514

	Plant and equipment \$	Total \$
Consolidated		
Year ended 30 June 2016		
Opening net book amount	1,117,040	1,117,040
Additions	1,531,410	1,531,410
Depreciation charge	(869,235)	(869,235)
Impairment loss	(65,858)	(65,858)
Closing net book amount	1,713,357	1,713,357

18 Non-current assets - Intangible assets

		Consolidated
	2017 \$	2016 \$
Intellectual Property - Clinical Trials		
Gross value	401,584	401,584
	401,584	401,584
	Intellectual Property - Clinical Trials \$	Total \$
Consolidated		
Year ended 30 June 2017		
Net book amount	401,584	401,584

Impairment losses recognised

Continuing operations

These assets were tested for impairment during the year ended 30 June 2017.

Impairment tests for intangibles

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

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

There was no impairment of the carrying value of the intellectual property for the Clinical Trials cash generating unit.

Clinical Trials cash generating unit (indefinite life intellectual property)

The recoverable amount of the Clinical Trials unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three year period and a terminal growth rate of 3% (2016: 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 2017 and 30 June 2016.

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% (2016: 20%). The cash generating unit's recoverable amount exceeds the carrying value of the cash generating unit.

19 Current liabilities - Trade payables and other liabilities

		Consolidated
	2017 \$	2016 \$
Trade payables	871,318	840,389
Accrued payables	2,539,869	2,275,310
Revenue in advance	1,206,802	274,668
	4,617,989	3,390,367

20 Current liabilities - Provisions

		Consolidated
	2017 \$	2016 \$
Current		
Annual leave	1,706,923	1,413,551
Long service leave	386,802	272,170
Current provisions	2,093,725	1,685,721
Non-current		
Long service leave	77,251	34,575
	77,251	34,575
Total provisions	2,170,976	1,720,296

21 Contributed equity

(a) Share capital

	Notes	2017 Shares	2016 Shares	2017 \$	2016 \$
Ordinary shares					
Ordinary shares - fully paid	21(b), 21(c)	113,676,848	111,873,515	28,511,980	27,892,930

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$
1 July 2015	Opening balance	107,481,013	26,557,229
	Exercise of options	4,392,502	862,188
	Transfer to share capital on exercise of options	-	473,513
30 June 2016	Balance	111,873,515	27,892,930
	Exercise of options	1,803,333	470,717
	Transfer to share capital on exercise of options	-	148,333
30 June 2017	Balance	113,676,848	28,511,980

21 Contributed equity (cont.)

(c) Ordinary shares

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

(d) Capital risk management

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

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

The Board has resolved that no dividend should be declared in respect of the year ended 30 June 2017.

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

22 Other reserves and accumulated losses

(a) Other reserves

		Consolidated	
		2017	2016
		\$	\$
Share-based payments		1,503,134	692,254
Foreign currency translation		(131,218)	(131,218)
		1,371,916	561,036

		Consolidated	
		2017	2016
		\$	\$
Notes			
Movements:			
Share-based payments			
Opening balance		692,254	989,907
Option expense	27	959,213	175,860
Transfer to share capital on exercise of options	21(b)	(148,333)	(473,513)
Balance 30 June		1,503,134	692,254
Foreign currency translation			
Opening balance		(131,218)	(131,218)
Share based payments			
Employees		1,488,432	662,351
Non-Employees		14,702	29,903
		1,503,134	692,254

22 Other reserves and accumulated losses (cont.)

(b) Nature and purpose of other reserves

(i) Share-based payments

This reserve is used to record the value of equity benefits provided in a share based payment transaction to employees and directors as part of their remuneration. Refer to note 27 for further details of these plans.

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 upon the disposal of the net investment.

23 Parent entity financial information

(a) Summary financial information

	2017 \$	2016 \$
Balance sheet		
Current assets	15,657,386	13,476,816
Total assets	19,968,118	17,179,999
Current liabilities	6,266,535	4,478,113
Total liabilities	6,343,786	4,515,561
Net assets	13,624,332	12,664,438
Shareholders' equity		
Issued capital	28,511,980	27,892,930
Reserves		
Share Option Reserve	726,550	400,874
Retained earnings	(15,614,165)	(15,629,367)
Total shareholders' equity	13,624,332	12,664,438
Profit or loss for the year	15,952	288,077
Total comprehensive income	15,952	288,077

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

	2017 \$	2016 \$
Financial guarantee in relation to commercial lease	88,784	88,784
Contractual commitments in relation to commercial leases	161,431	326,467
	250,215	415,251

24 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Consolidated	
	2017 \$	2016 \$
(Loss)/profit for the year	(823,948)	2,641,919
Depreciation	1,022,808	869,235
Write off of assets	12,814	27,122
Non-cash employee benefits expense - share-based payments	959,213	175,860
Net exchange differences	(169,988)	(53,782)
Change in operating assets and liabilities:		
(Increase) in trade debtors and other receivables	203,195	(364,285)
(Increase) decrease in deferred tax assets	94,308	(1,908,015)
(Increase) decrease in other operating assets	(31,869)	(96,137)
(Decrease) increase in trade payables and other liabilities	1,227,621	842,018
(Decrease) increase in provision for income taxes payable	(71,118)	(29,911)
(Decrease) increase in deferred tax liabilities	(105,350)	231,694
(Decrease) increase in other provisions	450,680	570,530
(Increase) decrease in prepayments	(160,014)	(355,457)
Net cash inflow (outflow) from operating activities	2,608,352	2,550,791

25 Related party transactions

(a) Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2017 %	2016 %
Cogstate Inc	USA	100	100
Cogstate Health Inc	USA	100	100
Cogstate Healthcare LLC (Formerly Cogstate Sport LLC)	USA	100	100
Cogstate Sport Pty Ltd	Australia	100	100
Cogstate Canada Inc	Canada	100	100
Cogstate Spain SL	Spain	100	100

25 Related party transactions (cont.)

(b) Parent entities

Cogstate Limited is the ultimate parent of the group.

(c) Key management personnel

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

(d) Director-related entity transaction

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

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

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

26 Key management personnel disclosures

(a) Key management personnel compensation

		Consolidated
	2017 \$	2016 \$
Short-term employee benefits	2,938,248	3,092,247
Post-employment benefits	122,586	104,714
Long-term benefits	20,886	22,737
Termination benefits	236,425	-
Share-based payments	670,576	186,096
	3,988,720	3,405,794

Detailed remuneration disclosures are provided in the remuneration report on pages 27 to 42.

27 Share-based payments

(a) Expenses arising from share-based payment transactions

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

		Consolidated
	2017 \$	2016 \$
Options issued under employee share option plan	959,213	175,860

Reconciliation of share-based payment expense for the 2017 financial year is as follows:

Consolidated	2017 \$	2016 \$
Expense reversed as options not fully vested lapsed	(42,900)	(72,550)
Expense for options issued during current financial year	794,008	81,566
Expense for options issued in previous financial years	208,105	166,844
	959,213	175,860

(b) Employee option plan

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

In most cases, one third of the options are exercisable on the second anniversary of the date of the grant. The remaining two thirds of the options are exercisable after the following 12 months.

The options cannot be transferred and will not be quoted on the ASX. There are no cash settlement alternatives. There are currently 4 directors and 46 executives/staff eligible for this scheme.

Previously non-executive directors, with the approval of shareholders, have been issued equity under the non-executive director option plan, but this practice has ceased

(c) Summaries of options granted under ESOP

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Outstanding at the beginning of the year	10,372,917	\$0.26	12,515,416	\$0.23
Granted during the year	7,835,000	\$1.01	2,450,000	\$0.30
Forfeited during the year	(610,000)	\$0.38	(200,000)	\$0.26
Exercised during the year	(1,803,333)	\$0.26	(4,392,499)	\$0.20
Expired during the year	-	-	-	-
Outstanding at the end of the year	15,794,584	\$0.63	10,372,917	\$0.26

27 Share-based payments (cont.)

(c) Summaries of options granted under ESOP (cont.)

The outstanding balance as at 30 June 2017 is represented by:

Number of options	Grant date	Vesting Date	Expiry Date	Exercise Price
250,000	08-Aug-07	08-Aug-10	08-Aug-17	\$0.17
604,583	01-Jul-08	05-Aug-11	05-Aug-18	\$0.10
500,000	06-Oct-08	23-Oct-11	23-Oct-18	\$0.15
145,000	24-Oct-08	24-Oct-11	23-Oct-18	\$0.10
248,333	29-Jul-13	29-Jul-15	29-Jul-18	\$0.36
513,333	29-Jul-13	29-Jul-16	29-Jul-18	\$0.36
116,665	31-Oct-13	31-Oct-15	31-Oct-18	\$0.49
233,335	31-Oct-13	31-Oct-16	31-Oct-18	\$0.49
8,333	02-Apr-14	02-Apr-16	02-Apr-19	\$0.36
16,667	02-Apr-14	02-Apr-17	02-Apr-19	\$0.36
6,667	07-Jul-14	07-Jul-16	07-Jul-19	\$0.30
13,333	07-Jul-14	07-Jul-17	07-Jul-19	\$0.30
250,000	03-Nov-14	03-Nov-16	03-Nov-19	\$0.28
500,000	03-Nov-14	03-Nov-17	03-Nov-19	\$0.28
16,667	02-Mar-15	02-Mar-17	02-Mar-20	\$0.21
33,333	02-Mar-15	02-Mar-18	02-Mar-20	\$0.21
666,667	20-Mar-15	20-Mar-17	20-Mar-20	\$0.21
1,666,667	20-Mar-15	20-Mar-18	20-Mar-20	\$0.21
200,000	11-Sep-15	11-Sep-17	11-Sep-20	\$0.27
400,000	11-Sep-15	11-Sep-18	11-Sep-20	\$0.27
366,667	22-Oct-15	22-Oct-17	22-Oct-20	\$0.21
83,333	22-Oct-15	22-Oct-17	22-Oct-20	\$0.26
733,333	22-Oct-15	22-Oct-18	22-Oct-20	\$0.21
166,667	22-Oct-15	22-Oct-18	22-Oct-20	\$0.26
16,667	09-Nov-15	09-Nov-17	09-Nov-20	\$0.40
33,333	09-Nov-15	09-Nov-18	09-Nov-20	\$0.40
33,333	04-Jan-16	04-Jan-18	04-Jan-21	\$0.60
66,667	04-Jan-16	04-Jan-19	04-Jan-21	\$0.60
33,333	30-Jun-16	30-Jun-19	30-Jun-21	\$0.82
66,667	30-Jun-16	30-Jun-19	30-Jun-21	\$0.82
975,000	30-Sep-16	30-Sep-18	30-Sep-21	\$0.93
1,950,000	30-Sep-16	30-Sep-19	30-Sep-21	\$0.93
416,667	17-Oct-16	17-Oct-18	17-Oct-21	\$0.84
833,333	17-Oct-16	17-Oct-19	17-Oct-21	\$0.84
893,333	31-Dec-16	31-Dec-18	31-Dec-21	\$1.14
1,903,334	31-Dec-16	31-Dec-19	31-Dec-21	\$1.14
350,000	31-Dec-16	31-Dec-20	31-Dec-23	\$1.14
233,333	31-Dec-16	31-Dec-21	31-Dec-23	\$1.14
83,333	31-Mar-17	31-Mar-19	31-Mar-22	\$1.15
166,667	31-Mar-17	30-Mar-20	31-Mar-22	\$1.15
15,794,584				

27 Share-based payments (cont.)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding at 30 June 2017 is 3.27 years (2016: 3 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.10-\$1.15 (2016: \$0.10-\$0.82).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.5731 (2016: \$0.3029).

(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 2017 and 30 June 2016:

2017	30-09-16	17-10-16	31-12-16	31-12-16	31-12-16	31-03-17
Dividend yield (%)	0	0	0	0	0	0
Expected volatility (%)	60.00	60.00	60.00	60.00	60.00	60.00
Risk-free interest rate (%)	1.60	1.60	2.16	2.32	2.57	2.18
Expected life of option (years)	3	3	3	3	3	3
Option exercise price (\$)	0.93	0.84	1.14	1.14	1.14	1.15
Market share price at grant date (\$)	0.89	1.03	1.22	1.22	1.22	1.02

2016	11-09-15	22-10-15	22-10-15	09-11-16	04-01-16	30-06-16
Dividend yield (%)	0	0	0	0	0	0
Expected volatility (%)	44.00	44.00	44.00	44.00	44.00	44.00
Risk-free interest rate (%)	2.19	2.25	2.25	2.42	2.26	1.64
Expected life of option (years)	3	3	3	3	3	3
Option exercise price (\$)	0.27	0.21	0.26	0.40	0.60	0.82
Market share price at grant date (\$)	0.23	0.31	0.31	0.36	0.56	0.78

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

28 Commitments and contingencies

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

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

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

		Consolidated
	2017	2016
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	932,526	572,341
Later than one year but not later than five years	2,586,382	336,470
Later than five years	845,400	-
	4,364,308	908,811

(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 2017 (2016: nil).

29 Events occurring after the reporting period

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

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

30 Remuneration of auditors

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

(a) Pitcher Partners (Melbourne)

		Consolidated
	2017	2016
	\$	\$
Audit and other assurance services		
Audit and review of financial statements	72,470	65,465
Total remuneration for audit and other assurance services	72,470	65,465
Taxation services		
Tax services	94,775	64,145
Total remuneration for taxation services	94,775	64,145
Total remuneration of Pitcher Partners (Melbourne)	167,245	129,610

(b) Network firms of Pitcher Partners

		Consolidated
	2017	2016
	\$	\$
Other services		
Taxation services	93,025	77,951
Total remuneration for other services	93,025	77,951
Total remuneration of network firms of Pitcher Partners	93,025	77,951
Total auditors' remuneration	260,270	207,561

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 44 to 81 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 Group's financial position as at 30 June 2017 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 2017.

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



Martyn Myer AO, Chairman
Melbourne, 21 August 2017

Independent auditor's report to the members of Cogstate Limited

INDEPENDENT AUDITOR'S REPORT

To the members of Cogstate Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cogstate Limited “the Company” and controlled entities “the Group”, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- (a) giving a true and fair view of the Group’s financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<i>Revenue Recognition</i> Refer to Note 1(d) and Note 5	
The Group recognised revenue of \$34.65m relating to the sale of services and licences in clinical trials. The Group enters into large contracts with Pharmaceutical customers that often span multiple financial years. We focused on the existence and accurate recognition of this revenue in line with the signed contracts. The two key components to this revenue stream includes the license fee charged to customers and rendering of services. • The license fee revenue is recognised when the significant risks and rewards relating to the licensed software are passed to the customer via transfer of a license key. • The rendering of services revenue relating to each clinical trial is recognised via achievement of key milestones set out in the relevant contract.	Our testing of revenue transactions focused on evidencing the transfer of license key and that the underlying milestone had occurred in the period, to trigger the recognition of the revenue. Our procedures included amongst others: • Evaluating management process regarding the recognition of revenue, which included a review of the controls and process for recognising and recording revenue transactions. • Testing a sample of revenue transactions for the following procedures: - Testing the revenue recorded to supporting documentation including invoice and signed contract. - Reviewing a sample of contracts, to evaluate whether the revenue was being recognised by management in line with the date of the transfer of the license key and milestones for rendering of services. - Testing the existence of monies receipted relating to license and service revenue. - Recalculating the foreign currency translation for a sample of revenue invoices denominated in USD or EURO into AUD. - Reviewing the general journals throughout the year impacting on revenue and profit/loss. • Testing material revenue transactions that were recognised as revenue in the final two months of the financial year to ensure such revenue was in fact recognised in the appropriate period in line with the Group's revenue recognition accounting policy and accounting standards.

Key Audit Matter	How our audit addressed the key audit matter
<i>Deferred Tax Assets</i> Refer to Note 11	
Deferred Tax Assets of \$3.75m have been recognised in relation to Australian and US timing differences and tax losses carried forward.	Our testing of Deferred Tax Assets focused on evaluating the probability assessment of the relevant entities to generate sufficient future taxable income to recoup the Deferred Tax Asset.
We have focused on this balance because there has been a history of losses in the Group, and as such, the recoverability of the deferred tax asset is subject to probability of the relevant entities generating sufficient future taxable income to recoup the Deferred Tax Asset.	Our procedures included amongst others: • Reviewing the Group's budget supporting the recognition of the Deferred Tax Asset. • Engaging an internal tax expert to consider the income tax calculations for the Cogstate Australian Tax Consolidated Group at 30 June 2017. Consideration of the 'tax base' of balances within the tax balance sheet used in the calculation of Deferred Tax Assets and Liabilities was also performed. • Engaging a US Tax Expert to review income tax calculations for the Cogstate US Tax Consolidated Group at 30 June 2017 to determine the reasonableness of Deferred Tax Assets being recognised in line with US tax law. • Agreeing the carried forward tax loss position at year end to lodged 30 June 2016 tax returns.

Key Audit Matter	How our audit addressed the key audit matter
<i>Share based payment expense</i> Refer to Note 27	
The Group recorded a share based payment expense of \$0.96m relating to the grant of options to employees, Key Management Personnel and directors. We have focussed on this balance as there were a substantial number of options issued during the financial year in comparison to prior periods. Additionally the Group issued performance based share options to Key Management Personnel for the first time. Performance based options involve a number of estimates and judgements to be made by management in terms of the vesting periods adopted and probability of the performance criteria being achieved.	Our testing on the share based payments expense focused on evidencing that the expense recognised during the financial year was consistent with the option valuation model and vesting period assessed at grant date. Our procedures included amongst others: • Engaging our internal valuation expert to assess the valuation of options granted during the financial year. • Assessing management's judgements in determining the performance criteria probability and vesting conditions relating to the performance based share options issued.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 42 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Cogstate Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



S SCHONBERG

PITCHER PARTNERS

Melbourne, 21 August 2017

Shareholder information

The shareholder information set out below was applicable as at 14 August 2017.

A. Distribution of equity securities

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

Holding	Class of equity security	
	Ordinary shares	Options
	Shares	
1 - 1,000	474	0
1,001 - 5,000	550	0
5,001 - 10,000	147	0
10,001 - 100,000	209	28
100,001 and over	63	22
	1,443	50

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	24,462,915	21.52
DAGMAR DOLBY	19,776,389	17.40
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,032,864	9.71
NEBULA NEURO PTY LTD	8,000,000	7.04
CITICORP NOMINEES PTY LIMITED	4,783,915	4.21
BETA GAMMA PTY LTD	4,500,000	3.96
ANACACIA PTY LIMITED	4,455,489	3.92
MR BRADLEY JOHN O'CONNOR	4,228,117	3.72
DR PETER ANTHONY BICK & MS MELANIE JO GRIBBLE	2,500,000	2.20
BNP PARIBAS NOMS PTY LTD	1,577,658	1.39
DOUGLAS ROSENBERG	1,413,787	1.24
MR DAVID ALEXANDER SIMPSON & MRS DAWN GENTRY SIMPSON	1,263,689	1.11
MR ALISTAIR DAVID STRONG	1,170,000	1.03
MUTUAL TRUST PTY LTD	1,129,806	0.99
GWYNVILL TRADING PTY LTD	1,104,290	0.97
ALEXANDER 2006 LLC	1,059,138	0.93
HOWITT NOMINEES PTY LTD	1,000,000	0.88
DALEFORD WAY PTY LTD	741,311	0.65
RONNOCOB PTY LTD	661,066	0.58
MR CAMPBELL DINWOODIE TAYLOR	500,000	0.44
	95,360,434	83.89

Unquoted equity securities

	Number on issue	Number of holders
Options to acquire ordinary shares, issued under the Directors' and Employees Share Option Plan	15,794,584	50

C. Substantial holders

Substantial holders in the company are set out below:

Name	Number held	Percentage
DAGMAR DOLBY	19,776,389	17.40
MARTYN MYER (held through National Nominees Limited)	19,607,786	17.25
FIL LIMITED (held through HSBC Custodian Nominees (Australia) Limited)	9,066,478	7.98
ALAN FINKEL (held through Nebula Neuro Pty Ltd & Howitt Nominees Pty Ltd)	9,000,000	7.92
	57,450,653	50.54

D. Voting rights

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

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

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