



**CogState Limited**  
ABN 80 090 975 723

**Appendix 4D Information and Half-Year Financial Report**

**For the half-year ended 31 December 2006**

**CORPORATE INFORMATION**

ABN 80 090 975 723

***Directors***

Mr Martyn Myer (Chairman)  
Mr Bradley O'Connor (Chief Executive Officer)  
Dr Geoff Brooke  
Mr Richard Morgan  
Mr David Simpson  
Dr Michael Wooldridge

***Company Secretary***

Mr Ben Gust

***Registered Office***

Level 7  
21 Victoria Street  
Melbourne Vic 3000

***Share Register***

Link Market Services  
Level 4, 333 Collins Street, Melbourne, Victoria, 3000  
Telephone: 1300 554 474

***Auditors***

Ernst & Young

***Stock Exchange Listing***

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

***Internet Address***

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

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**Appendix 4D Information**

<b>Revenue</b> from ordinary activities <i>(Appendix 4D item 2.1)</i>	up	38.4%	To	\$1,245,447
<b>Loss</b> from ordinary activities after tax attributable to members <i>(Appendix 4D item 2.2)</i>	down	21.1%	to	(\$947,803)
<b>Net Loss</b> for the period attributable to members <i>(Appendix 4D item 2.3)</i>	down	21.1%	to	(\$947,803)

**Dividends / Distributions***(Appendix 4D items 2.4, 2.5 and 2.6)*

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2006. Dividends are not expected to be paid or declared in the immediate term.

**Explanation of Revenue***(Appendix 4D item 2.6)*

	<b>2006</b>	<b>2005</b>
Sales to customers	\$1,188,672	\$828,304
Interest received	\$56,775	\$71,279
	\$1,245,447	\$899,583

Revenue from contracted services, predominantly relating to the provision of cognitive testing services within clinical trials, is recognised according to the stage of completion of the work under each contract. There can be a timing difference between the issue of invoices by CogState to customers and the ultimate recognition of the revenue relating to the invoice. At 31 December 2006, Revenue in Advance (amounts invoiced to customers, but not recognised as revenue) totalled \$505,989 (30 June 2006: \$301,568). "Revenue in Advance" is shown as a liability (included within "Trade and Other Payables") on the Balance Sheet.

**Appendix 4D Information (continued)****Explanation of Net Loss***(Appendix 4D item 2.6)*

The total loss for the period was \$947,803, a 21.1% improvement on the previous corresponding period (2005: \$1,201,643). However, the current loss before income tax of \$945,279 has improved 39.0% on the previous corresponding period (2005: \$1,549,345). This is due to the receipt of the R&D tax concession for the year ended 30 June 2005 in December 2005 of \$364,592. The R&D tax concession for 30 June 2006 has not yet been received and is expected in the six months ended 30 June 2007.

Total operating expenses for the half year ended 31 December 2006 totalled \$2,080,184 (2005: \$2,404,747) a decrease of 13.5% compared to the previous corresponding period. However, administration expenses increased 145.8%. This was primarily due to costs in relation to establishing the USA office and also an increase in insurance costs, reflective of our increased exposure to the USA market.

Employment costs of \$1,239,274 (2005: \$1,707,035) accounted for 59.6% of total operating costs. Included within employment costs for the previous corresponding period were one-off termination benefits of \$239,150.

**Net Tangible Assets Per Security***(Appendix 4D item 3)*

<b>31-Dec-06</b>	<b>30-Jun-06</b>
4.0 cents	6.1 cents

## **COGSTATE LIMITED**

### **HALF-YEAR REPORT – 31 DECEMBER 2006**

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**DIRECTORS' REPORT**

Your directors submit their report for the half year ended 31 December 2006.

This half year report covers the consolidated entity comprising CogState Limited and its subsidiary (the Group).

**DIRECTORS**

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Martyn Myer	(Chairman)
Mr Bradley O'Connor	(Chief Executive Officer)
Dr Geoff Brooke	
Assoc. Prof David Darby	(resigned 26 October 2006)
Mr Richard Morgan	
Mr David Simpson	
Dr Michael Wooldridge	

**REVIEW AND RESULTS OF OPERATIONS**

During the half year ended 31 December 2006, the Group continued to expand its sales and marketing activities with respect to the use of its cognitive testing technology and services by existing and prospective pharmaceutical company customers. Revenue from the sale of cognitive testing technology has continued to grow during the half year. Revenue from the provision of cognitive testing services for the half year ended 31 December 2006 (\$1,188,672) increased 43.5% compared to the half year ended 31 December 2005 (\$828,304).

The Group continued its expansion into the USA, establishing an office in New Haven, Connecticut to better meet the needs of both North American and European pharmaceutical company customers. The Group's primary market is cognitive testing in clinical trials, where the technologies are used to quantify the effect of disease and of drugs, devices or other interventions on human subjects participating in clinical trials conducted by pharmaceutical, biotechnology, nutraceutical and functional food companies.

Net revenue from clinical trials (after direct costs of conducting trials) totalled \$711,652 for the half year ended 31 December 2006; an increase of 37.5% compared to the half year ended 31 December 2005 (\$517,395).

Employment costs of \$1,239,274 (2005: \$1,707,035, including \$239,150 termination benefits) accounted for 59.6% of total operating costs for the half year to 31 December 2006. Full time equivalent employees at 31 December 2006 totalled 17, compared to 14 full time equivalent employees at 30 June 2006 and 15 full time equivalent employees at 31 December 2005. The increase in headcount includes additional staff based in the USA office, who are focussed on generation of sales and support of sales contracts in the northern hemisphere.

The total loss for the period was \$947,803, a 21.1% improvement on the previous corresponding period (2005: \$1,201,643). The loss before income tax was \$945,279, an improvement of 39.0% on the previous corresponding period (2005: \$1,549,345). This is due to the receipt of the R&D tax concession for the year ended 30 June 2005 that was received in December 2005 of \$364,592. The R&D tax concession for 30 June 2006 has not yet been lodged, however this is expected to be received in the six months ended 30 June 2007.

**DIRECTORS' REPORT (continued)**

**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained the following independence declaration from our auditors, Ernst & Young, as presented on page 10.

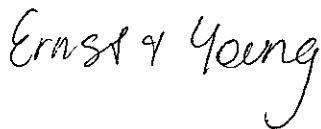
Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Martyn Myer', written in a cursive style.

Mr Martyn Myer  
Chairman  
Melbourne, 21 February 2007

## **Auditor's Independence Declaration to the Directors of CogState Limited**

In relation to our review of the financial report of CogState Limited for the half-year ended 31 December 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Joanne Lonergan  
Partner  
Melbourne  
21 February 2007

## INCOME STATEMENT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

		<b>CONSOLIDATED</b>	
		<b>2006</b>	<b>2005</b>
		<b>\$</b>	<b>\$</b>
	<b>Note</b>		
Sale of goods	4(a)	1,111,392	778,304
Other grants		77,280	50,000
Finance revenue	4(a)	56,775	71,279
<b>Revenue</b>		<b>1,245,447</b>	<b>899,583</b>
Cost of sales		(110,542)	(129,920)
<b>Gross profit</b>		<b>1,134,905</b>	<b>769,663</b>
Other income	4(b)	-	85,739
Employee benefits expense	4(e)	(1,239,274)	(1,707,035)
Depreciation and amortisation expense	4(d)	(37,338)	(31,160)
Occupancy expenses	4(d)	(55,080)	(58,269)
Marketing expenses		(65,202)	(51,663)
Accounting and auditing expenses		(47,868)	(38,408)
Administrative expenses		(199,061)	(80,984)
Legal expenses		(70,232)	(53,378)
Travel expenses		(174,081)	(120,111)
Research and development expenses		(106,319)	(210,181)
Other expenses	4(d)	(416)	(7,982)
Finance costs	4(c)	(85,313)	(45,576)
<b>Loss from continuing operations before income tax</b>		<b>(945,279)</b>	<b>(1,549,345)</b>
Income tax (expense)/benefit		(2,524)	347,702
<b>Loss after tax from continuing operations</b>		<b>(947,803)</b>	<b>(1,201,643)</b>
<b>Net loss for the period</b>		<b>(947,803)</b>	<b>(1,201,643)</b>
Earnings per share (cents per share)			
- basic for loss attributable to ordinary equity holders		(2.13)	(3.50)
- diluted for loss attributable to ordinary equity holders		(2.13)	(3.50)

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

		<b>CONSOLIDATED</b>	
		As at	As at
		<b>31-Dec-06</b>	<b>30-Jun-06</b>
		\$	\$
<b>Note</b>			
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
	Cash and Cash equivalents	1,645,854	2,661,164
	Trade and Other Receivables	737,234	434,060
	Prepayments	65,362	22,457
	Other Assets	98,684	76,409
	<b>TOTAL CURRENT ASSETS</b>	<b>2,547,134</b>	<b>3,194,090</b>
<b>NON-CURRENT ASSETS</b>			
	Property, plant and equipment	235,400	169,907
	Intangible assets	401,584	401,584
	Deferred income tax asset	46,560	46,170
	<b>TOTAL NON-CURRENT ASSETS</b>	<b>683,544</b>	<b>617,661</b>
	<b>TOTAL ASSETS</b>	<b>3,230,678</b>	<b>3,811,751</b>
<b>CURRENT LIABILITIES</b>			
	Trade and other Payables	883,839	581,484
	Provisions	103,954	92,736
	Deferred Tax Liability	5,229	2,312
	<b>TOTAL CURRENT LIABILITIES</b>	<b>993,022</b>	<b>676,532</b>
<b>NON-CURRENT LIABILITIES</b>			
	Provisions	36,644	39,163
	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>36,644</b>	<b>39,163</b>
	<b>TOTAL LIABILITIES</b>	<b>1,029,666</b>	<b>715,695</b>
	<b>NET ASSETS</b>	<b>2,201,012</b>	<b>3,096,056</b>
<b>EQUITY</b>			
	Contributed equity	11,903,184	11,903,184
	Accumulated Losses	(10,174,373)	(9,226,570)
	Other reserves	472,201	419,442
	<b>TOTAL EQUITY</b>	<b>2,201,012</b>	<b>3,096,056</b>

## CASH FLOW STATEMENT

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Note	<b>CONSOLIDATED</b>	
		2006	2005
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,058,748	994,599
Payments to suppliers and employees		(2,031,859)	(2,492,657)
Receipt of government grants		-	15,739
Interest received		60,381	57,665
<b>Net cash flows used in operating activities</b>		<b>(912,730)</b>	<b>(1,424,654)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(96,782)	(54,746)
<b>Net cash flows used in investing activities</b>		<b>(96,782)</b>	<b>(54,746)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	300,000
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>300,000</b>
Net increase/(decrease) in cash and cash equivalents		(1,009,512)	(1,179,400)
Net foreign exchange difference		5,798	28,337
Cash and cash equivalents at beginning of period		2,661,164	3,429,392
<b>Cash and cash equivalents at end of period</b>	<b>5</b>	<b>1,645,854</b>	<b>2,278,329</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	<b>CONSOLIDATED</b>			<b>Total</b>
	<b>Contributed Equity</b>	<b>Retained earnings \$</b>	<b>Share Option Reserve \$</b>	
<b>As at 1 July 2005</b>	11,230,285	(7,623,654)	223,825	3,830,456
Profit/(Loss) for the period	-	(1,201,463)	-	(1,201,463)
Issue of Share Capital	301,146	-	-	301,146
Cost of share-based payment	-	-	153,143	153,143
<b>At 31 December 2005</b>	<b>11,531,431</b>	<b>(8,825,117)</b>	<b>376,968</b>	<b>3,083,282</b>
<b>As at 1 July 2006</b>	11,903,184	(9,226,570)	419,442	3,096,056
Profit/(Loss) for the period	-	(947,803)	-	(947,803)
Cost of share-based payment	-	-	52,759	52,759
<b>At 31 December 2006</b>	<b>11,903,184</b>	<b>(10,174,373)</b>	<b>472,201</b>	<b>2,201,012</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**1. CORPORATE INFORMATION**

The financial report of CogState Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 21 February 2007.

CogState Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange (ASX:CGS).

The nature of the operations and principal activities of the Group are described in note 3.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of CogState Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by CogState Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 .

**(a) Basis of Preparation**

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards, including AASB134 Interim Financial Reporting. The half-year financial report has been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Significant Accounting Policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for the adoption of the amending standards mandatory, as described in Note 2(d).

**(c) Basis of consolidation**

The half-year consolidated financial statements comprise the financial statements of CogState Ltd and its subsidiaries as at 31 December 2006 ('the Group').

CogState Inc is a sales and marketing branch established as a subsidiary in Connecticut, USA on 27 July 2006. The half-year consolidated financial statements include the results of CogState Inc for the period 27 July 2006 to 31 December 2006.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) Basis of Consolidation (continued)**

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether the group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

In preparing the consolidated financial statements all intercompany balances and transactions, income and expenses and profit and losses resulting from the intra group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the group and cease to be consolidated from the date in which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and the contingent liabilities assumed at the date of acquisition.

Minority interests not held by the group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

**(d) Changes in Accounting Policies**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the half year reporting period ended 31 December 2006. These are outlined in the table below.

Reference	Title	Summary	Application Date of Standard	Impact on Group Accounting Policies	Application Date
UIG 8	Scope of AASB 2 <i>Share Based Payment</i>	Clarifies the scope of AASB 2 includes transactions in which the entity cannot identify specifically some or all of the goods or services received as consideration for the equity instruments of the entity or other share-based payment	1 May 2006	Unless the Group enters into share based payment arrangements unrelated to employee services in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1 January 2007

**(e) Change in treatment of Interest Received in Cash Flow Statement**

In the accounts for the full year ended 30 June 2006, interest received was shown under cash flows from investing activities. For the half year report ended 31 December 2006 interest received is shown under cash flows from operating activities, this is due to cash management being part of the day to day activities of CogState. This change has included the reclassification of all comparatives.

**3. SEGMENT INFORMATION**

The following tables present revenue and profit information and certain asset and liability information regarding the only business segment of cognitive testing for the six months ended 31 December 2006 and 31 December 2005. The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by these products and services produced. Secondary segment information is reported geographically, as the companies operations are based primarily in Australia, with the majority of sales to international companies. The geographical segments are determined based on the domicile of the customer.

	<b>Continuing Operations</b>	
	<b>Cognitive Testing</b>	
	<b>2006</b>	<b>2005</b>
	\$	\$
<b>Half-Year Ended 31 December</b>		
<b>Revenue</b>		
Sales to external customers	1,188,672	828,304
Total segment revenue	<u>1,188,672</u>	<u>828,304</u>
Non-segment revenues		
Interest revenue	56,775	71,279
Total revenue	<u>1,245,447</u>	<u>899,583</u>
<b>Result</b>		
Profit/(loss) before income tax	(945,279)	(1,549,345)
Income tax benefit	(2,524)	347,702
Net profit/(loss) for the year	<u>(947,803)</u>	<u>(1,201,643)</u>

	<b>2006</b>	<b>2005</b>
	\$	\$
<b>Geographical Segments</b>		
<b>Revenue</b>		
Sales to external Customers		
Asia Pacific	311,007	59,236
USA and Canada	560,881	280,615
Europe	314,753	481,917
South Africa	2,031	6,536
Segment Revenue	<u>1,188,672</u>	<u>828,304</u>

**4. REVENUE, INCOME AND EXPENSES**

	<b>CONSOLIDATED</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Revenue</b>		
Sale of goods	1,111,392	828,304
Other grants	77,280	-
Finance revenue	56,775	71,279
	<u>1,245,447</u>	<u>899,583</u>
Bank interest receivable	<u>56,775</u>	<u>71,279</u>
<b>(b) Other income</b>		
Government grants	-	85,739
	<u>-</u>	<u>85,739</u>

Government grants in the corresponding period have been received for the research and development of drug compounds and assistance in marketing the product to export markets. There are no unfulfilled conditions and contingencies attaching to these grants.

	<b>CONSOLIDATED</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Finance costs</b>		
Finance charges paid on banking facilities	(7,112)	(4,884)
ASX and share registry fees	(13,387)	(20,692)
Financial consultants	(64,814)	(20,000)
	<u>(85,313)</u>	<u>(45,576)</u>
<b>(d) Other expenses</b>		
Depreciation and Amortisation	(37,338)	(31,160)
Minimum lease payments	(37,597)	(43,800)
Outgoings and relocation costs	(17,483)	(14,469)
Commissions	(418)	(7,982)
Included in administrative expenses:		
Insurance	(34,373)	(7,847)
Telephone, printing and computer expenses	(95,768)	(76,493)
Patent applications	(55,090)	(46,684)
<b>(e) Employee benefits expense</b>		
Wages and Salaries	(1,183,996)	(1,366,144)
Long service leave provision	(2,519)	-
Termination benefits	-	(239,150)
Share based payment expense	(52,759)	(101,741)
	<u>(1,239,274)</u>	<u>(1,707,035)</u>

**5 CASH AND CASH EQUIVALENTS****CONSOLIDATED**

	<b>31-Dec-06</b>	<b>30-Jun-06</b>	<b>31-Dec-05</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

For the purposes of the half year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	268,018	329,253	878,329
Short-term deposits	1,377,836	2,331,911	1,400,000
	1,645,854	2,661,164	2,278,329

**6. TRADE AND OTHER RECEIVABLES****CONSOLIDATED**

	<b>31-Dec-06</b>	<b>30-Jun-06</b>
	<b>\$</b>	<b>\$</b>

Trade Receivables <sup>1</sup>	740,888	435,724
Allowance for Doubtful Debts	(3,654)	(1,664)
	<u>737,234</u>	<u>434,060</u>

<sup>1</sup>Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of \$3,654 (30 June 2006: \$1,664) has been recognised as an expense for the current half year for specific debtors for which such evidence exists. The amount of the allowance has been measured as the difference between the carrying amount and of the trade receivable and the estimated future cash flows expected to be received from the relevant debtors.

**7. PLANT AND EQUIPMENT****Acquisitions and Disposals**

During the half year ended 31 December 2006, the group acquired assets with a cost of \$102,831 (2005: \$56,931) which includes non cash purchases of \$6,049 (2005: \$2,185).

No assets were disposed of during the period. (2005: Nil)

**8. SHARE BASED PAYMENT PLANS**

In November 2006 700,000 share options were granted to non-executive directors, as passed at the Annual General Meeting of Shareholders and by circular resolution of the directors. The exercise price of the options is \$0.50, they will vest over two years on a straight line basis from the grant date, and have a four year life.

Also in November 2006, 50,000 options were granted to staff under the Employee Share Option Plan, with an exercise price of \$0.19.

The fair value of the options granted is estimated 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 in respect of the two grants during the period:

	<b>Non Executive Directors</b>	<b>Employees</b>
Dividend Yield (%)	0	0
Expected Volatility (%)	81.424	81.424
Risk-Free Interest Rate (%)	5.87	5.60
Early Exercise multiple/expected life	3.0	7.5
Contractual Life	4	10

**9. TRADE AND OTHER PAYABLES**

	<b>CONSOLIDATED</b>	
	<b>31-Dec-2006</b>	<b>30-Jun-2006</b>
	<b>\$</b>	<b>\$</b>
Trade Payables <sup>1</sup>	112,608	66,298
Employee Related Payables <sup>2</sup>	61,796	106,707
Accrued Payables <sup>1</sup>	203,446	106,911
Revenue in Advance <sup>3</sup>	505,989	301,568
	<u>883,839</u>	<u>581,484</u>

<sup>1</sup>Trade and Accrued Payables are non-interest bearing and are normally settled on 30 day terms.

<sup>2</sup>Employee Related Payables are normally settled in the month proceeding recognition unless they relate to income taxes payable to an international jurisdiction in which case they are paid annually.

<sup>3</sup>Revenue in advance represents amounts that have been invoiced during the period but which have not been recorded as revenue during the year because of obligations under the particular sales contracts that have not been performed at 31 December.

**10. COMMITMENTS AND CONTINGENCIES****Operating lease commitments – company as lessee**

The company has entered into commercial leases on the company's main premises as well as some items of plant and equipment. These leases have an average life of between 0 and 5 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

**11. CONTRIBUTED EQUITY**

	<b>CONSOLIDATED</b>	
	<b>31-Dec-06</b>	<b>30-Jun-06</b>
	<b>\$</b>	<b>\$</b>
<i>Ordinary Shares</i>		
Issued and fully paid	11,903,184	11,903,184

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

**12. RELATED PARTY DISCLOSURES****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 arms length in similar circumstances.

Dr G Brooke is the Managing Director of GBS Venture Partners Limited which is the manager of the Australian Bioscience Trust, which received emoluments, in the form of a base fee for Dr Brooke's activities as a non-executive director for the sum of \$17,917, during the six months to 31 December 2006 (2005: \$10,417). This included \$4,583 of back pay in relation to the Directors fee increase at the 2005 AGM that had not been invoiced.

**13. ECONOMIC DEPENDENCY**

During the period to 31 December, 2006 CogState received approximately 57% of its revenue from contracts with Pfizer. CogState contracts with different divisions within Pfizer in North America, Europe and Australia.

**14. EVENTS AFTER THE BALANCE SHEET DATE**

No significant events have occurred after balance date.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of CogState Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; 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.

On behalf of the Board



Martyn Myer  
Chairman



Bradley O'Connor  
Chief Executive Officer

Melbourne, 21 February 2007

To the members of CogState Limited

## **Report on the Half-Year Condensed Financial Report**

We have reviewed the accompanying half-year financial report of CogState Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

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

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of CogState Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of CogState Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

*Ernst & Young*

Ernst & Young



Joanne Lonergan  
Partner  
Melbourne  
21 February 2007