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ENTELLECT LIMITED
AND CONTROLLED ENTITIES
ABN 41 009 221 783

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014

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CORPORATE INFORMATION

DIRECTORS

Mr Andrew Plympton	Non-Executive Chairman
Mr James Kellett	Executive Director & Chief Executive Officer
Mr Jeffrey Bennett	Non-Executive Director
Dr Nigel Finch	Non-Executive Director (appointed 5 May 2014)

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

Level 1, 61 Spring Street
Melbourne, VIC 3000

AUDITORS

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

BANKERS

Westpac
360 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

Automic Registry Services
Level 1
7 Ventnor Ave
West Perth WA 6005

WEBSITE ADDRESS

www.entellect.com.au

CHAIRMAN'S LETTER

Dear Shareholders

The Year in Review

The Group's results for the year ended 30 June 2014 reflect the investment by the Group in further developing and commercialising its **KNeoWORLD Games Portal** and in expanding its sales and marketing activities, including the appointment of new COO, Marti Miernik. During the year, the Group continued to raise funds from existing and new shareholders to fund these activities, and also received funds from the Australian Taxation Office as part of the Research and Development Tax Incentive Program in relation to research and development undertaken in FY2013; further refunds were received during August in relation to research and development activities undertaken in FY2014.

The Group incurred a loss for the year of $1,764,265 (2013: Loss $2,071,446) primarily attributable to costs associated with the execution of its business development objectives, which involved the Company incurring a number of additional expenses such as market development activities and contract software development for the KNeoWORLD Games Portal, as well as ongoing corporate costs.

Whilst the Group's results for FY14 reflect that the Group did not have any significant revenue during the year, the Company took steps to improve its cash flow position by streamlining corporate costs, raising further equity capital, and applying for Government grants for its research and development activities.

During the year in June 2014, Entellect concluded an unmarketable parcel share sale facility, under which the Company successfully reduced its shareholder base from 4,379 holders to 891 holders. The facility was implemented with the objective of substantially reducing the Company's administrative costs associated with maintaining a large share register, including printing and mailing costs and share registry expenses. Entellect has observed a reduction in its cash outflow since the conclusion of the facility, and expects this to continue in FY15 and beyond.

In FY14, Entellect received significant support from existing shareholders and new investors for its capital raising activities, and raised a total of $1,814,000 via share placement, issue of convertible notes and exercise of options which allowed the Group to fund its business development objectives

In June 2014, the Company successfully registered as a participant in the Australian Government's Research and Development Tax Incentive Program. It subsequently received a tax refund of $238,036 in late June 2014 from the Australian Taxation Office for its research and development activities undertaken in the 2013 financial year. In August 2014 the Company received a further $292,434 for its research and development activities undertaken in the 2014 financial year.

Outlook

The Company continues to execute its business plan in relation to the successful commercialisation of the KNeoWORLD Games Portal and the Board believes it can secure the funding required to achieve these objectives. Notwithstanding funding support from investors which the Company reasonably expects to receive if sought, Entellect anticipates receiving a further reimbursement for its research and development activities in FY14 under the Research and Development Tax Incentive Program. The funds received from the tax incentive program will be applied to the further development of the Company's product offering.

Yours faithfully

Andrew Plympton
Chairman
Melbourne, 25 September 2014

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity consisting of Entellect Limited and its controlled entities ("The Group"), for the financial year ended 30 June 2014 and independent auditor's report thereon.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a Director of Entellect Limited, together with details of the Company Secretary, during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Current Directors

Names, qualifications, experience and special responsibilities

Name	**Particulars**
Mr Andrew Plympton	**Non-Executive Chairman** Mr Plympton joined the Company in August 2010 and brings to the role a wealth of experience in a diverse range of commercial activities. In the financial services sector, Mr Plympton has been either the managing director and/or executive chairman of a number of International insurance brokers, underwriting agencies and captive insurance managers. In the public company sector, Andrew is the chairman of Shoply Limited (ASX: SHP) and is a director of Sunbridge Group Limited (ASX: SBB) and Energy Mad Limited (NZX: MAD). Andrew is also a Commissioner of The Australian Sports Commission, Executive Member and Director of The Australian Olympic Committee and Australian Olympic Foundation Limited. During the last three years Mr Plympton has served as a director of the following listed companies, Newsat Limited (ASX:NWT), Beyond Sportswear International (ASX: BSI), Intermoco Limited (ASX: INT).
Mr James Kellett	**Executive Director, Chief Executive Officer** Mr Kellett has over 30 years' experience in corporate finance and business management and has held senior executive positions in the finance and communications industries, including ASX listed companies. Mr Kellett is founder and Managing Director of Furneaux Equity Limited, is an Associate of the Financial Services Institute of Australasia and brings very substantial business management, direction and governance skills to the Board. Mr Kellett has no directorships in other listed companies.
Mr Jeffrey Bennett	**Non-Executive Director** Mr Bennett (B Comm CPA) brings significant experience in corporate finance, capital markets, acquisitions and divestments and risk management to the Company. He has more than 25 years' experience in the resources, transport, IT and service industries having held senior finance positions at UXC, BHP and Shell. Mr Bennett is the non-executive director of Jameson Resources Limited (ASX: JAL).

Dr Nigel Finch **Non-Executive Director**

MCom, LLM MBA, PhD, CA, CTA, FCPA, FFin, FTIA, FAICD

Dr Finch holds degrees in accounting, business and law and a PhD in business law. His professional qualifications include Certified Practising Accountant, Chartered Accountant, Chartered Tax Adviser and a fellow of the Financial Services Institute of Australasia, the Taxation Institute of Australia, the Australian Institute of Company Directors and CPA Australia. He is also Associate Professor in Accounting at The University of Sydney Business School. He brings more than 20 years' experience in financial management, international business, higher education and financial markets.

Information on the Company Secretary

The Company Secretary of the Group at any time during and since the financial year end to the date of this report was Sophie Karzis. Ms Karzis (B Juris., LLB) is a practicing lawyer with over 20 years' experience in corporate law. She is company secretary and general counsel to a number of public (listed and unlisted) and private companies and is the principal of Corporate Counsel, a business which provides corporate and company secretarial services to Australian companies.

Principal activities

The principal activities of the Group during the course of the financial year were the Educational Games Development business through its KNeoWorld Games Portal.

Review of operations and financial results

The Group incurred a loss for the year of $1,764,265 (2013: Loss $2,071,446) primarily attributable to ongoing corporate costs and the execution of its new business development objectives.

The Group's results for the year ended 30 June 2014 reflect that the Group did not have any significant revenue during the year.

Additional capital raising activities were undertaken during the year which raised $1,814,000 via share placement, issue of convertible notes and exercise of options which allowed the Group to fund the working capital of the business development.

In June 2014, the Group received an approval for the registration of its Research & Development activities for 2013 financial year followed by a refund of $238,036 from ATO for the Australian Government's Research & Development Tax Incentive Program. A further $292,434 was received in August 2014 for its research and development activities undertaken in the 2014.

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2014. It also contains an independent auditor's report which includes an emphasis of matter paragraph in regard to the existence of a material/significant uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. For further information, refer to note 1(a) to the financial statements.

Operating results

	2014 **$**	2013 $
The consolidated loss of the Group after providing for income tax:	**(1,764,265)**	(2,071,446)

Dividends paid or recommended

No dividends have been paid or declared since the commencement of the financial year. The Directors do not recommend that a dividend be paid for the year ended 30 June 2014.

Directors' interests in Shares and Options of the Group

The relevant interest of each Director in the shares and quoted options over shares of the Group, as notified by the Directors to the Australian Securities Exchange in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this report are:

	Ordinary Shares		Options	Performance rights
	Direct	Indirect		Unquoted
Andrew Plympton	27,000,000	-	-	20,000,000
James Kellett	-	101,400,000	-	49,000,000
Jeffrey Bennett	25,065,317	4,000,000	-	20,000,000
Nigel Finch	52,500,000	-	1,250,000	-

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- On 29 July 2013, the Company raised $200,000 from 200,000,000 shares at $0.001 under a placement to a sophisticated investor in accordance with shareholder approval obtained on 29 April 2013.
- On 5 August 2013, the Company raised another $35,000 from 35,000,000 shares at $0.01 under a placement to a sophisticated investor and $30,000 from $30,000,000 shares at $0.01 in lieu of fees for professional fee provided to the Company.
- On 12 September 2013, the Company issued a $25,000 Convertible Note at a face value of $25,000. The note bears interest at a rate of 15% per annum on the face value of the note. The Convertible Note will have a term of 90 days from the issue date. The note has the option to convert into fully paid ordinary share during that period at the conversion price stated. The note that has not been converted must be redeemed by the Company at the issue price by the maturity date.
- On 24 October 2013, the Company raised $80,000 from 80,000,000 shares at $0.001 under the placement to a sophisticated invertor.
- On 30 October 2013, the Company raised $30,000 from 30,000,000 shares at $0.001 under the placement to a sophisticated invertor.
- On 29 November 2013, the Company issued 89,000,000 performance rights to Directors under the Company's Long Term Incentive Plan approved by shareholders on the 29 November 2013 AGM.
- On 6 December 2013, the Company issued 23 Convertible Note at a face value of $25,000. The notes are unsecured, unlisted and non-transferable. The note bears interest at a rate of 15% per annum on the face value of the note if interest is capitalised and paid out in ESN shares; or 10% per annum on the face value of the note if interest is paid in cash. The notes have a maturity date of 28 February 2015. The principal sum of the notes will be repayable upon expiry if not redeemed prior to that date. Each note entitles the holder to 25 million free attaching options, which will be issued for nil consideration on the date that the notes are issued. Each option will entitle its holder to acquire one ordinary share in the Company at an exercise price of $0.001.
- During the year, 10 Convertible Note issued on the 6 December 2013 were converted to share for 250,000,000 shares and 375,000,000 options were exercised for $375,000 to the Company.
- On 12 February 2014, the Company appointed new COO to undertake the operational and marketing activities of the business in US. The Company also advised the market that it is going through the unmarketable share parcel reduction program.
- On 5 May 2014, the Company appointed Dr Nigel Finch as a new non-executive Director to the Company.
- On 13 June 2014, the Company announced the Notice of Extraordinary General Meeting to be held on the 15 July 2014.

- On 23 June 2014, the Company announced the approval of research and development activities by ATO and expected to receive a cash reimbursement of $238,036 from ATO for financial year 2013 research and development activities.

Significant events after the balance date

Other than the matters noted below, no matters have arisen in the interval between the end of the financial year and the date of this report in respect of any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

On 15 July 2014, the Company held an Extraordinary General Meeting (EGM) and the results on all resolutions were passed and announced as below:-

- Ratification of issue of Convertible Notes and Attaching Options
- Ratification of August 2013 Placement Shares
- Ratification of issue of Shares to Jacobs Corporation Pty Ltd
- Ratification of issue of Professional Services Shares
- Ratification of issue of April 2014 Placement Shares
- Approval of issue of April 2014 Placement Attaching Options
- Approval of issue of Adviser Shares
- Approval of issue of Proposed Placement Securities under Proposed Placement
- Approval of issue of Conversion Securities pursuant to convertible loans
- Approval of issue of Shares to Mr Jeffrey Bennett in lieu of Director's fees
- Approval of issue of Shares to Mr Andrew Plympton in lieu of Director's fees

On 30 July 2014, the Company issued 108,200,000 shares after the EGM approval of which 10,000,000 share were issued in lieu of fees for capital raising services provided, 25,000,000 shares issued in part retirement of debt under two converting loans, 50,000,000 shares were issued to non-executive directors in lieu of directors' fees and 23,200,000 shares were issued under a capital raising placement.

On 30 July 2014, the Company also issued 140,100,000 options after the EGM approval of which 116,000,000 options issued as free attaching options to the share issued under a placement on 3 April 2014 on the basis of 1 free attaching option to every two placement shares issued, 12,500,000 options issued in part retirement of debts under two converting loans and 11,600,000 options as free attaching options under a placement on 3 April 2014 on the basis of 1 free attaching option to every two placement shares issued. Each option has an exercise price of $0.002 and is exercisable up until 3 October 2015. Any option not exercise on or before the expiry date will automatically lapse.

Future developments, prospects and business strategies

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report, except to the extent noted in the Chairman's Letter on page 2, as the inclusion of such further information is likely to result in unreasonable prejudice to the Group.

Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors' Meetings	
	Number Attended	Number eligible to attend
Andrew Plympton	6	6
James Kellett	6	6
Jeffrey Bennett	6	6
Nigel Finch	2	2

The Company's Audit Committee was suspended during the 2014 financial year and did not have any separate meetings. The Company's Remuneration and Nomination Committees did not meet during the 2014 financial year.

Share issued during or since the end of the year as a result of exercise

135,500,000 shares were issued to Directors and key management personnel during the year ended 30 June 2014 (2013: 4,000,000). Refer to remuneration report for further details.

Unissued shares under option and performance rights

Performance rights granted

The performance rights were approved by shareholders on 29 November 2013 under the Company's LTIP.

The Company granted 89,000,000 performance rights under the plan to Directors on 29 November 2013. The exercise price of the rights was zero cents. The rights vest if the Company achieves its $5 million gross revenue during any given 12 consecutive months (Revenue Hurdle) and the Director is continuously employed until the date the Revenue Hurdle is achieved. The rights will lapse if the vesting conditions are not achieved by 31 December 2016 (expiry date).

The Company also granted 25,000,000 performance rights under the plan to other key management personnel on 15 January 2014 at nil consideration. The exercise price of the performance rights is nil per right. The performance rights will be vested on the attainment of the key goal of US$5mil gross revenue accumulated over any 12 consecutive months. There is no expiry date on the performance rights granted.

As at the date of this report, there were 1,250,000 options issued (nil at reporting date).

Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of directors and officers

The Company agreed to indemnify all directors and executive officers for losses which they may become legally obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy.

Total amount of insurance contract premium paid was $10,000.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

Remuneration Report (audited)

The Directors of the Group present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following sections:

1. Key Management Personnel (KMP) disclosed in this report
2. Remuneration Governance
3. Directors and Executive remuneration arrangements
4. Details of Key Management Personnel remuneration
5. Additional disclosures relating to options and shares

1. Key Management Personnel (KMP) disclosed in this report

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any Director of the Group.

Key Management Personnel during the financial year are as follows:

(i) Non-executive directors (NEDs)

Andrew Plympton	Chairman (non-executive)
Jeffrey Bennett	Director (non-executive)
Nigel Finch	Director (non-executive) appointed on 5 May 2014

(ii) Executive director

James Kellett	Executive Director & Chief Executive Officer (CEO)

(iii) Other key management personnel

Marti Miernik	Chief Operating Officer of KneoWorld Inc (COO) appointed on 15 January 2014
Matt Seeney	General Manager of KneoWorld Inc (GM) appointed on 1 July 2013 to 31 May 2014

A new director came on board on 5 May 2014 and no other change to Key Management Personnel during the year ended 30 June 2014.

2. Remuneration Governance

Remuneration Policy

The remuneration policy of the Group has been designed to align director and executive obligations with shareholder and business objectives by providing a fixed remuneration and options. The Board of the Group believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for board members and other key management personnel of the economic entity is as follows:

The remuneration structure for key management personnel is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Group. All executives receive a base salary only. The remuneration committee reviews executives' packages annually by reference to the entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The Board may exercise its discretion in relation to approving bonuses and options and can recommend changes to the committee's recommendations. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors and other key management personnel do not receive any superannuation contribution and any other retirement benefits.

All remuneration paid to directors and other key management personnel is valued at the cost to the Group and expensed. Options given to directors and key management personnel are valued using the Binomial methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The last approved increase occurred at the 2007 Annual General Meeting where the maximum fees payable to directors increased from $150,000 pa to $300,000 pa. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group.

Use of remuneration consultants

No remuneration consultants were used during the year.

Voting and comments made at the company's 2013 Annual General Meeting

Entellect shareholders passed a resolution on a unanimous show of hands to adopt the Company's remuneration report for the financial year ended 30 June 2013 at the 2013 annual general meeting. The Company did not receive any specific feedback at the AGM on its remuneration report.

Group Performance, Shareholder Wealth and Directors and other Key Management Personnel Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and other key management personnel. One of the main methods to achieve this aim will be the issue of options to executives to encourage the alignment of personal and shareholder interests, which the Board is currently considering. The Group believes this policy will be effective in increasing shareholder wealth in future years**.**

3. Directors and executive remuneration arrangements

Employment Contracts of Directors and Executive

The remuneration structure for key management personnel is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to the date of their retirement.

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

Termination payments are generally not payable on resignation or in a case of serious misconduct. In the instance of serious misconduct the Group can terminate employment at any time. Options not exercised within 30 days of the date of termination lapse.

3. Directors and executive remuneration arrangements (continued)

Employment Contracts of Directors and Executive (continued)

			Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
Group Key Management Personnel	**Position held as at 30 June 2014 and any change during the year**	**Contract details (duration and termination)**	**Non-salary cash-based incentive %**	**Shares / Units %**	**Options / rights %**	**Fixed Salary / Fees %**	**Total %**
Andrew Plympton	Non-executive Chairman	No fixed term. No termination conditions.	-	-	-	100	100
James Kellett	Executive Director, CEO	Fixed term contract. Termination conditions apply.[(1)]	-	-	-	100	100
Jeffrey Bennett	Non-executive Director	No fixed term. No termination conditions.	-	-	-	100	100
Nigel Finch	Non-executive Director	No fixed term. No termination conditions.	-	-	-	100	100

*(1) Entellect entered into a Services Agreement with Furneaux Management Pty Ltd (**Consultant**), a related party of James Kellett, on 23 December 2010 (**Services Agreement**) for the provision of CEO consultancy services. The term of the Services Agreement commenced on 1 December 2010 and was extended for a number of further terms to 31 December 2011 and thereafter for rolling six month periods. Under the Services Agreement, the Consultant must provide the services through its key person, being James Kellett. Other than expiry of the term, the Services Agreement may be terminated under usual commercial terms including breach of contract, insolvency, misconduct, criminal offence and incapacity*.

4. Details of Key Management Personnel Remuneration

Details of the nature and amount of each major element of the remuneration of each Director and other Key Management Personnel of the Group are:

		Short-term benefits		Post employment	Share based payments	Total $
		Salary & fees $	Cash bonus $	Super-annuation $	Performance rights $	
Executive Director						
James Kellett -CEO	2014	168,000	-	-	5,717	173,717
	2013	168,000	-	-	-	168,000
Non-executive Director						
Andrew Plympton	2014	48,000	-	-	2,333	50,333
	2013	59,000	-	-	-	59,000
Jeffrey Bennett	2014	42,000	-	-	2,333	44,333
	2013	42,000	-	-	-	42,000
Nigel Finch *(1)*	2014	6,548	-	-	-	6,548
	2013	-	-	-	-	-
Other Key Management Personnel						
Marti Miernik *(2)*	2014	61,159	-	-	6,750	61,159
	2013	-	-	-	-	-
Matt Seeney *(3)*	2014	137,847	-	-	-	137,847
	2013	-	-	-	-	-
Robin Matthews *(4)*	2014	-	-	-	-	-
	2013	107,063	-	-	-	107,063
Total KMP	**2014**	**463,554**	**-**	**-**	**17,133***(5)*	**480,687**
Total KMP	**2013**	**376,063**	**-**	**-**	**-**	**376,063**

(1) Appointed 5 May 2014
(2) Appointed 15 January 2014
(3) Appointed 1 July 2013 and resigned 31 May 2014
(4) Resigned 28 January 2013
(5)The performance rights, on which the non-cash benefit is determined, have not vested and will not vest until the achievement of certain non-market conditions as disclosed in Note 17. No shares or cash benefit have been received until the achievement of these conditions.

5. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

The table below discloses the number of performance rights granted to Directors as LTIP remuneration during the year as well as the number of performance rights that vested or lapsed during the year. The performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The rights to Directors below are conditional upon continuation as a director until the revenue hurdle of A$5mil gross revenue is achieved during any given 12 consecutive months. The performance rights will lapse if the performance hurdles are not achieved by 31 December 2016.

The rights to other KMP below is conditional up the attainment of the US$5mil gross revenue accumulated over any 12 consecutive months. There is no expiry date to the rights.

As at the reporting date, the Company has recognised $17,133 performance rights expense in the statement of comprehensive income for Directors and KMP. The expense was calculated from the grant date to its vesting dates applicable.

b. Performance rights holdings of key management personnel (continued)

Executive Director	Grant date	No. granted ('000)	Fair value at grant date	Exercise price ($)	Expiry date	Balance at 30 June 2014 ('000)	Vested ('000)	Unvested ('000)
James Kellett	29-11-13	49,000	0.001	-	31-12-16	49,000	-	49,000
Non-executive Directors								
Andrew Plympton	29-11-13	20,000	0.001	-	31-12-16	20,000	-	20,000
Jeffrey Bennett	29-11-13	20,000	0.001	-	31-12-16	20,000	-	20,000
Nigel Finch	-	-	-	-	-	-	-	-
Other KMP								
Marti Miermik	15-1-14	25,000	0.003	-	nil	25,000	-	25,000

c. Unlisted option holdings of key management personnel

No unlisted options are held by directors and key management personnel during the year and at the end of the year.

d. Listed option holdings of key management personnel

No listed options are held by directors and key management personnel during the year and at the end of the year.

e. Shareholdings of key management personnel

	Balance at 1 July 2013 No.	Granted as remuneration No.	On exercise of options No.	Net change other No.	Balance at 30 June 2014 No.
Executive Director					
James Kellett	18,400,000	-	-	83,000,000	101,400,000
Non-executive Directors					
Andrew Plympton	2,000,000	-	-	-	2,000,000
Jeffrey Bennett	4,065,000	-	-	-	4,065,000
Nigel Finch	-	-	-	52,500,000	52,500,000
Other KMP					
Marti Miermik	-	-	-	-	-
Matt Seeney	-	-	-	-	-
Total	**24,465,000**	**-**	**-**	**135,500,000**	**159,965,000**

f. Loans to Key Management Personnel and their related parties

There were no loans made to key management personnel and their related parties during the financial year and none are outstanding as at the date of this report.

g. Other transactions and balances with key management personnel and their related parties

Loans with key management personnel - related entities

There were no loans with key management personnel - related entities during the financial year and none are outstanding as at the date of this report.

Payables to key management personnel - related entities

	2014 $	2013 $
Related party payables		
Fees payable to key management personnel	**176,603**	119,900
Total related party payables	**176,603**	119,900

h. Other transactions with Key Management Personnel-related entities

During the financial year ended 30 June 2014 there were no other transactions with key management personnel- related entities (2013: nil)

End of Audited Remuneration Report

Non-audit services

The auditor, Grant Thornton, did not provide any non-audit services to the Group during the financial year ended 30 June 2014.

Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2014 has been received and can be found on page 15, which forms part of this report.

Signed in accordance with a resolution of the Directors

Andrew Plympton
Chairman
Melbourne, 25 September 2014

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Entellect Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Entellect Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Partner - Audit & Assurance

Sydney, 25 September 2014

Corporate Governance Statement

This statement sets out the corporate governance practices that were in operation throughout the financial year for Entellect Limited and its controlled entities (the **Group**). The Group's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance.

The Group has adopted and complies where reasonably practicable to do so with the ASX Corporate Governance Principles and Recommendations (Second Edition) to the extent appropriate to the size and nature of the Group's operations.

A summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations is included below. The various charters and policies are all available on the ESN web site: www.entellect.com.au.

ASX Principle	Status	Reference / Comment
Principle 1: Lay solid foundation for management oversight		
Companies should establish and disclose the respective roles and responsibilities of board and management.		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Complying	The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibilities include the overall strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A copy of the Board Charter is posted on the Group's website. Each Director is given a letter upon his or her appointment which outlines the Director's duties. The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Complying	The Board and the Chief Executive Officer monitor the performance of senior management, including measuring actual performance against planned performance. The Board also reviews the Chief Executive Officer's performance annually.
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complying	A copy of the Company's Board Charter is available on the Company's website in a clearly marked Corporate Governance section. A performance evaluation for senior executives has taken place in the reporting period.
Principle 2: Structure the Board to add value		
Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.		
2.1 A majority of the board members should be independent.	Complying	Three of the four Directors of the Board are independent. The test to determine independence which is used by the Company is whether a Director is independent of management and any business or other relationship with the Group that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. The Directors considered to be independent are Mr Andrew Plympton, Mr Jeffrey Bennett and Mr Nigel Finch.
2.2 The chairman should be an independent director.	Complying	The Chairman, Mr Andrew Plympton has been Chairman of the Company since 26 August 2010 and was, at the date of his appointment and continues to be, independent. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions.

ASX Principle	Status	Reference / Comment
2.3 The roles of the chairman and the chief executive officer should not be exercised by the same individual.	Complying	The positions of Chairman and Chief Executive Officer are held by separate persons.
2.4 The board should establish a nomination committee.	Part-Complying	The Board has not established a formal nomination committee, having regard to the size of the Company. The Board acknowledges that when the size and nature of the Company warrants the necessity of a formal nomination committee, such a committee will operate under a nomination committee charter which will be approved by the Board. Presently, the Board, as a whole, serves as a nomination committee to the Company. Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complying	The Board conducts an informal annual performance review of itself that compares the performance of the Board with the requirements of the Board Charter, critically reviews the mix of the Board and suggests and amendments to the Board Charter as are deemed necessary or appropriate.
2.6 Provide the information indicated in the Guide to reporting on Principle 2.	Complying	The following information is set out in the Company's annual report: • the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report; • the directors considered by the Board to constitute independent directors and the Company's materiality threshold; • the existence of any of the relationships which may affect independence and an explanation of why the board considers a director to be independent notwithstanding the existence of these relationships; • a statement regarding directors' ability to take independent professional advice at the expense of the Company; • a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the Board; • The term of office held by each director in office at the date of the report. • The names of members of the Company's committees and their attendance at committee meetings. • whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; • an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6. The following material is publicly available on the Company's website in a clearly marked Corporate Governance section: • a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors; • the Board's policy for the nomination and appointment of directors.

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making

3.1 Companies should establish a code of conduct and disclose the code as to: • **The practices necessary to maintain confidence in the company's integrity.** • **The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.**	Complying	The Group has formulated a Code of Conduct which can be viewed on its website. The Group has adopted a Share Trading Policy which can be viewed on its website.

ASX Principle	Status	Reference / Comment
The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Non-Complying	The Board has contemplated the necessity of implementing a diversity policy. Noting the relatively small size of the Company and the fact that the Group only employed three employees as at 30 June 2014, the Board has resolved to depart from the recommendations by not implementing a gender diversity policy. Nonetheless, at such time that the Company seeks to establish and expand its workforce, the Company will be committed to the principles of employing people with a broad range of experiences, skills and views.
3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Non-Complying	The Board has not implemented a diversity policy and is of the view that the recommendation is inappropriate to the Company's particular circumstances as the Group employed three employees as at 30 June 2014. Accordingly, the Board has resolved to depart from the new recommendations by not implementing a gender diversity policy. Whilst the Company has not set formal measurable objectives for achieving gender diversity, at such time that the Company seeks to establish and expand its workforce, the Company will commit to recruiting employees from a diverse pool of qualified candidates.
3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Complying	During the year, Company had three employees, of which two are females. In addition, the Company has two female contractors in senior positions being the Company Secretary and the Chief Financial Officer.

Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

4.1 The board should establish an audit committee.	Part-Complying	The Board has not established a formal audit committee, having regard to the size of the Company. The Board acknowledges that when the size and nature of the Company warrants the necessity of an audit committee, such a committee will operate under the audit and risk committee charter which has been approved by the Board. The audit and risk committee charter may be viewed on the Company's website. Presently, the Board, as a whole, serves as an audit committee to the Company and accordingly operates under the audit and risk committee charter, and will continue to do so until a formal audit committee has been established.
4.2 The audit committee should be structured so that it: • **Consists only of non-executive directors; Consists of a majority of independent directors; Is chaired by an independent chair, who is not chair of the board; Has at least three members.**	Non-Complying	Whilst the Board has not established a formal audit committee, the Board has adopted an audit and risk committee charter which complies with recommendation 4.2. At such time that an audit and risk committee is established, that committee will operate under the audit and risk committee charter which has been approved by the Board
4.3 The audit committee should have a formal charter. Companies should provide the information indicated in the Guide.	Non-Complying	An audit and risk committee charter has been established and approved by the Board. When the size and nature of the Company warrants the necessity of an audit committee, such a committee will operate under the audit and risk committee charter.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Complying	The Company will continue to explain any departures from Principle 4 in its future annual reports.

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies.	Complying	The Group has a documented policy which has established procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The Chief Executive Officer and the Company Secretary are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.
5.2 Companies should provide the information indicated in the Guide.	Complying	The Company's Market Disclosure & Shareholder Communication Policy is posted on the Company's website in a clearly marked Corporate Governance section.

Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Complying	The Board informs shareholders of all major developments affecting the Group's state of affairs as follows: 1. The annual report is distributed to all shareholders, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs. 2. The half-yearly report to the Australian Securities Exchange contains summarised financial information and a review of the operations of the consolidated entity during the period. 3. All major announcements are lodged with the Australian Securities Exchange, and posted on the Group's website. 4. Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders. 5. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. 6. The Group's auditor attends the Annual General Meeting.
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complying	The Company explains any departures from Principle 6 in its annual reports. The Company's Market Disclosure & Shareholder Communication Policy is posted on the Company's website in a clearly marked Corporate Governance section.

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complying	The Board has responsibility for monitoring risk oversight and ensures that the Chief Executive Officer reports on the status of business risks through risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. In addition the Board is responsible for reviewing the risk management framework and policies of the Group.

7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Complying	The Board reviews the Group's major business units, organisational structure and accounting controls and processes on a continuing basis. A description of the Group's risk management policy and internal compliance and control systems will be available on the Group's website shortly.
7.3 The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Complying	The Chief Executive Officer and the Chief Financial Officer (or equivalent) are required to state to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complying	The following material is included in the corporate governance statement in the Company's Annual Reports: • explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4. • whether the Board has received the report from management under Recommendation 7.2 • whether the Board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3. A summary of the Company's policies on risk oversight and management of material business risks is either currently, or will shortly be, publicly available on the Company's website in a clearly marked corporate governance section.

Principle 8: Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

8.1 The board should establish a remuneration committee.	Part-Complying	The Company does not have a Remuneration Committee although the Board as a whole carries out this function in accordance with a Remuneration Committee Charter.
8.2 The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	Part-complying	The Company does not have a Remuneration Committee although the Board as a whole carries out this function in accordance with a Remuneration Committee Charter.
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complying	Details of the Directors and key senior executives remuneration are set out in the Remuneration Report of the Annual Report. The structure of non-executive Directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report. Equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. In addition, the Group has issued equity based remuneration to both executive and non-executive directors which has been approved by shareholders at a general meeting

8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complying	Details of the Directors and key management personnel remuneration are set out in the Remuneration Report of the Annual Report. The Company does not have a Remuneration Committee although the Board as a whole carries out this function in accordance with a Charter. There are no schemes for retirement benefits, other than superannuation, for non-executive directors. A copy of the Company's Remuneration Committee charter is posted on the Company's website in a clearly marked corporate governance section, together with a summary of the Company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	**2014** **$**	2013 $
Revenue			
Sales revenue		**5,547**	1,283
Other income	2	**242,940**	16,642
		248,487	17,925
Employee benefits expenses		**(481,762)**	(705,079)
Corporate expenses		**(507,585)**	(501,214)
Depreciation and amortisation expenses		**(20,798)**	(25,677)
Other expenses	3	**(756,716)**	(687,943)
Finance costs		**(251,568)**	(100,629)
Impairment of leasehold improvement cost		**-**	(76,532)
Performance rights expense		**(17,133)**	-
Gain on movement in fair value of embedded derivatives option		**22,810**	7,703
Loss before income tax		**(1,764,265)**	(2,071,446)
Income tax benefit	4	**-**	-
Loss for the year attributable to members		**(1,764,265)**	(2,071,446)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign operations (net of tax)		**(22,915)**	(44,545)
Total comprehensive loss for the year		**(1,787,180)**	(2,115,991)
Loss attributable to:			
Members of the parent entity		**(1,606,966)**	(1,629,615)
Non-controlling interests		**(157,299)**	(441,831)
		(1,764,265)	(2,071,446)
Total comprehensive loss attributable to:			
Members of the parent entity		**(1,625,298)**	(1,619,984)
Non-controlling interests		**(161,882)**	(496,007)
		(1,787,180)	(2,115,991)
Earnings/(loss) per share (cents per share)			
Basic and diluted earnings/(loss) per share	6	**(0.08)**	(0.14)

The 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 2014

	Note	2014 $	2013 $
Current Assets			
Cash and cash equivalents	7	**312,553**	117,037
Trade and other receivables	8	**29,598**	17,166
Other assets	9	**76,596**	41,127
Total Current Assets		**418,747**	175,330
Non-current Assets			
Property, plant and equipment	10	**20,534**	29,288
Intangible assets	11	**-**	7,093
Total Non-current Assets		**20,534**	36,381
Total Assets		**439,281**	211,711
Current Liabilities			
Trade and other payables	12	**380,100**	297,312
Other financial liabilities	13	**1,472,049**	1,015,648
Total Current Liabilities		**1,852,149**	1,312,960
Total Liabilities		**1,852,149**	1,312,960
Net (Liabilities)/Assets		**(1,412,868)**	(1,101,249)
Equity			
Issued capital	14	**67,986,375**	66,563,756
Reserves	15	**(60,453)**	(95,063)
Accumulated losses		**(68,594,047)**	(66,987,081)
Parent Entity Interest		**(668,125)**	(518,388)
Non-controlling interest		**(744,743)**	(582,861)
Total Equity		**(1,412,868)**	(1,101,249)

The 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 2014

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserves	Non-Controlling Interest	Total
	$	$	$	$	$	$
Balance at 1 July 2013	**66,563,756**	**(66,987,081)**	**(95,063)**	**-**	**(582,861)**	**(1,101,249)**
Net loss for the year	-	(1,606,966)	-	-	(157,299)	(1,764,265)
Other comprehensive income	-	-	(18,332)	-	(4,583)	(22,915)
Total comprehensive income	**-**	**(1,606,966)**	**(18,332)**	**-**	**(161,882)**	**(1,787,180)**
Share issued	854,000	-	-	-	-	854,000
Exercise of options	375,000	-	-	-	-	375,000
Conversion of Convertible notes to share	250,000	-	-	-	-	250,000
Transaction costs on share issued	(56,381)	-	-	-	-	(56,381)
Performance rights expense	-	-	-	17,133	-	17,133
Equity component of convertible notes	-	-	-	35,809	-	35,809
Balance at 30 June 2014	**67,986,375**	**(68,594,047)**	**(113,395)**	**52,942**	**(744,743)**	**(1,412,868)**
Balance at 1 July 2012	**66,026,599**	**(65,301,128)**	**(50,053)**	**377,775**	**(575,608)**	**477,585**
Net loss for the year	-	(1,629,615)	-	-	(441,831)	(2,071,446)
Other comprehensive income	-	-	(45,010)	-	465	(44,545)
Total comprehensive income	**-**	**(1,629,615)**	**(45,010)**	**-**	**(441,366)**	**(2,115,991)**
Share issued	585,570	-	-	-	-	585,570
Transaction costs on share issued	(48,413)	-	-	-	-	(48,413)
Acquisition of 20% NCI in subsidiary	-	(434,113)	-	-	434,113	-
Transfer to retained earnings	-	377,775	-	(377,775)	-	-
Balance at 30 June 2013	**66,563,756**	**(66,987,081)**	**(95,063)**	**-**	**(582,861)**	**(1,101,249)**

The 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 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		**6,102**	17,559
Payments to suppliers and employees		**(1,783,260)**	(1,705,317)
Grants from research and development		**222,564**	-
Interest received		**4,904**	1,963
Finance costs		**(40,928)**	(59,727)
Net cash used in operating activities	16	**(1,590,618)**	(1,745,522)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,833)**	(2,397)
Net cash used in investing activities		**(4,833)**	(2,397)
Cash flows from financing activities			
Proceeds from issue of shares		**880,381**	585,570
Exercise of options		**375,000**	-
Payment for share issue costs		**(41,381)**	(48,413)
Proceeds from convertible notes		**600,000**	950,000
Net cash provided by financing activities		**1,814,000**	1,487,157
Net (decrease)/increase in cash and cash equivalents		**218,549**	(260,762)
Cash and cash equivalents at the beginning of the financial year		**117,037**	419,255
Effects of exchange rate changes on cash and cash equivalents		**(23,033)**	(41,456)
Cash and cash equivalents at the end of the financial year	7	**312,553**	117,037

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

This consolidated financial report and notes of Entellect Limited ("the **Company** ") and controlled entities ("The **Group**") for the year ended 30 June 2014 was authorised for issue in accordance with the resolution of the directors on 25 September 2014.

Entellect Limited is a publically listed company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated general purpose financial report of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. For the purposes of preparing the financial report, Entellect Limited is a for profit entity.

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has been prepared in accordance with the historical cost convention and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australia dollars.

a. Going Concern basis of accounting

Notwithstanding the loss for the year of $1,764,265 (2013: $2,071,446), net deficit of assets of $1,412,868 (2013: $1,101,249) and net cash outflows used in operations of $1,590,618 (2013: $1,745,522), the financial report has been prepared on a going concern basis. The Directors consider that this is appropriate given a number of factors, including that Entellect continues to take steps to manage and reduce its corporate overheads. Whether by streamlining its management team in San Francisco, or seeking to reduce corporate administrative costs through the proposed unmarketable parcel share reduction program. The non-executive directors additionally have been paid partially by shares after year end and have agreed on the remaining balance of their directors' fees not to be paid in the interim until such time that Entellect has sufficient funds in excess of its working capital requirements. Further, that Board is encouraged by the commencement of revenues from KNeoWORLD subscriptions through the PTA channel; whilst the Board is cognisant that revenues are at low initial levels, the Directors are cautiously optimistic that this revenue stream will steadily increase given that conversion trend has been established in the execution of the PTA sales initiative across the USA. Finally, the Directors are confident that, in accordance with the Company's previous track record of capital raising, Entellect will be able to continue to raise funds as and when required, in order to finance the ongoing capital requirements of the Group for the foreseeable future.

On the basis of these factors, although there is material/significant uncertainty, the Group's cash flow forecast fully supports the Directors' view that it is appropriate for the accounts to be prepared on a going concern basis and that the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

b. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

b. Basis of Consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as and equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Entellect Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

d. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Grants for research and development are recognised as other income once the Group is certain of both the amount and recoverability of the amounts.

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

e. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at bank, short term deposits with an original maturity of three months or less held at call with financial institutions and bank overdraft. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

g. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Leasehold improvements	20%
Furniture and Fixtures	20%
Plant and equipment	20-50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

g. Property, Plant and Equipment (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

h. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

i. Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall in this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

i. Financial Instruments (continued)

Financial assets at fair value through profit & loss (FVTPL)

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

j. Intangibles

Intellectual Property

Acquired intellectual property is recorded at fair value as at the effective date of the relevant acquisition and then amortised on a straight line basis over their useful life of three years to the Consolidated Group commencing from the time the asset is held ready for use.

k. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

l. Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial report is presented in Australian dollars which is the parent entity's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

l. Foreign Currency Transactions and Balances (continued)

Transaction and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

m. Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred

n. Share based payments

Equity-settled Transactions

The Group provides benefits to the directors and senior executives in the form of share options/performance rights under the Entellect Long Term Incentive Plan. These are equity settled transactions under Australian Accounting Standards.

The cost of these equity-settled transactions with directors and senior executives is measured by reference to the fair value of the equity instruments at the date when the grant is made using an appropriate valuation model. The cost is recognised together with a corresponding increase in other capital reserve in equity over the period in which the performance and /or service conditions are fulfilled in employees benefits expense (Refer Note 17). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

In valuing equity-settled transactions, no account is taken of any non-market vesting conditions.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated less the amounts already charged in previous periods. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

o. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provisions is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

q. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

r. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

s. Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has $2,173,634 (2013: $1,503,924) of tax losses carried forward. The tax losses pre 2011 may not be used to offset future taxable income because they may not meet the continuity of ownership or same business tests. However, tax losses from FY 2012 to FY 2014 of $2,776,817 may be used to offset future income as it meets the continuity of ownership and same business test.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

s. Significant management judgement in applying accounting policies (continued)

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Share-based payment

The Group measures the cost of equity-settled transactions with employees and key management personnel by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Fair value of financial liabilities

In compliance with the financial reporting obligations, the Directors of the Company had appointed Pitcher Partners to perform a fair value valuation of the convertible notes and the related embedded derivatives as at 30 June 2014. The fair value valuation has involved estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, the best estimate is used. Refer to Note13.

t. New, revised or amending Accounting Standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year. Since 1 July 2013, the Group has adopted the following new, revised and amending Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 10 Consolidated financial statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidate – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manger may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The Group has considered not only its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purpose. The Group has reviewed all entities it has and was not required to consolidate any additional entity.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The Group has reviewed the disclosure requirements and did not have any effect noted to the accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

t. New Accounting Standards and interpretations (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has reviewed the disclosure requirements and concluded it does not have any effect on the accounts.

AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting arising from AASB 119

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after reporting date. The Group has reviewed the disclosure requirements and concluded it does not have any effect on the accounts.

AASB2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The Group has reviewed the disclosure requirements and concluded it results in the removal of detailed individual KMP disclosures about equity instruments held (shares and options/rights), loans made to KMP and other transactions between KMP and the reporting entity. These are now included in the remuneration report.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been applied to the financial statements.

The following amendments by the AASB to Australian Accounting Standards are not expected to have a material impact on the Group's financial position and performance, however increased disclosures will be required in the Group's financial statements.

The Group will continue to assess these new standards and amendments in the 30 June 2015 year to confirm the impact on the Group.

AASB Reference	Title	Application date for Group*
AASB 9	Financial Instruments	1 July 2018
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 July 2014
AASB 2013-3	AASB 201-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal	1 July 2014
IFRS 15	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes:	1 July 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

	(a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue – Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expect to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the followings steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5:Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	

NOTE 2: REVENUE

	2014	2013
	$	$
Other income		
- Grants for research and development	**238,036**	-
- Interest income	**4,904**	16,642
	242,940	16,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: EXPENSES

	2014 $	2013 $
Other expenses		
- Consulting fees	**314,357**	278,594
- Marketing costs	**49,483**	69,358
- Occupancy costs	**107,193**	92,779
- Administration costs	**111,460**	172,712
- Other expenses	**174,223**	74,500
	756,716	687,943

NOTE 4: INCOME TAX EXPENSE

	$	$
Current and deferred tax expense for the year ended 30 June 2014 were nil (2013: nil)	-	-

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit/(loss) before income tax	**(1,764,265)**	(2,071,446)
At Australia's income tax rate 30%	**(529,279)**	(621,434)
Temporary differences and tax losses not brought to account as deferred tax assets	**529,279**	621,434
Income tax benefit reported in the statement of comprehensive income	**-**	-
Effective tax rate	**0%**	0%
Income tax losses – tax consolidated group		
Unused tax losses for which no deferred tax assets have been recognised	**2,173,634**	1,503,924*

Entellect Limited and its 100% Australia resident subsidiaries formed a tax consolidated group in 2002. Entellect Limited is the head entity of the tax consolidated group. The Group had Australian tax losses amounting to $32,561,803 in 2011. As it is unlikely the Group will satisfy the tests required by ITAA 97 in relation to the losses, the brought forward losses of $32,561,803 have been disregarded.

The Group incurred Australian revenue losses of $669,710 (2013: $404,785). The Group did not incur any capital loss during the year ended 30 June 2014 (2013: $nil). Both losses should be available in future to offset against income as long as the tests in the ITAA 97 are met.

*Subsequent to year end, the Group lodged a grant for research and development for FY 2013 in FY2014 and hence a revised income tax return for FY 2013 was lodged and derived at revised revenue losses of $404,785 from previously lodged amount of $933,755.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5: AUDITORS' REMUNERATION

	2014	2013
	$	$
Amounts received or due and receivable by Grant Thornton Australia for:		
— An audit or review of the financial report of the entity and any other entity in the consolidated entity	**52,000**	50,000
	52,000	50,000

NOTE 6: EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent 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.
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

		$	$
	Basic and diluted earnings to profit or loss	**(0.08) cents**	(0.14) cents
a.	Reconciliation of earnings to profit or loss		
	Loss for the year	**1,764,265**	2,071,446
	Loss attributable to non-controlling interest	**157,299**	441,831
	Earnings used to calculate basic and dilutive EPS	**1,606,966**	1,629,615
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	**2,148,953,069**	1,129,672,206

As the Group has made a loss in the current year, the impact of options is anti-dilutive, and as such has not been included in the calculation of diluted EPS. There are 200,000,000 options and 114,000,000 rights not included in the calculation.

NOTE 7: CASH AND CASH EQUIVALENTS

	$	$
Cash at bank and in hand	**312,553**	117,037
	312,553	117,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 8: TRADE AND OTHER RECEIVABLES

	2014	2013
	$	$
CURRENT		
Accrued revenue	**3,889**	-
GST recoverable	**25,709**	17,166
	29,598	17,166

(a) Provision For Impairment of Receivables

Provision for impairment is recognised when there is objective evidence that an individual trade or other receivable is impaired.

Given that sole receivable balance as at 30 June 2014 is from the Australian Taxation Office, there is no provision for impairment of receivables recognised by the Group (2013: Nil).

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value has been assessed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Note 9: OTHER ASSETS

	2014	2013
	$	$
CURRENT		
Prepayments	**57,020**	20,923
Rental Deposit	**19,576**	20,204
	76,596	41,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Furniture & Fixtures	Leasehold Improvements	Total
	$	$	$	$
Gross carrying amount				
Balance at 1 July 2012	41,573	26,538	103,477	171,588
Additions	1,633	764	-	2,397
Impairment	-	-	(102,194)	(102,194)
Exchange differences	-	-	(1,283)	(1,283)
Balance at 30 June 2013	43,206	**27,302**	**-**	**70,508**
Additions	4,833	-	-	4,833
Exchange differences	(105)	-	-	(105)
Balance at 30 June 2014	47,934	**27,302**	**-**	**75,236**
Accumulated depreciation				
Balance at 1 July 2012	15,029	6,798	26,946	21,827
Depreciation expense	12,358	5,501	-	17,859
Write back of impaired assets	-	-	(27,218)	(27,218)
Exchange differences	862	672	272	1,806
Balance at 30 June 2013	**28,249**	**12,971**	**-**	**41,220**
Depreciation expense	7,656	6,049	-	13,705
Exchange differences	(55)	(168)	-	(223)
Balance at 30 June 2014	**35,850**	**18,852**	**-**	**54,702**
Net book value at 30 June 2013	14,957	14,331	-	29,288
Net book value at 30 June 2014	**12,084**	**8,450**	**-**	**20,534**

NOTE 11: INTANGIBLE ASSETS

	Intellectual Property	Total
	$	$
Gross carrying amount		
Balance at 1 July 2012	35,520	35,520
Additions	-	-
Balance at 30 June 2013	35,520	35,520
Addition	-	-
Balance at 30 June 2014	**35,520**	**35,520**
Accumulated amortisation and impairment		
Balance at 1 July 2012	19,053	19,053
Amortisation expense	9,374	9,374
Balance at 30 June 2013	28,427	28,427
Amortisation expense	7,093	7,093
Balance at 30 June 2014	35,520	35,520
Net book value at 30 June 2013	7,093	7,093
Net book value at 30 June 2014	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: TRADE AND OTHER PAYABLES

	2014 $	2013 $
CURRENT (unsecured)		
Trade payables	**136,542**	118,926
Other creditors and accruals	**66,955**	58,486
Related parties	**176,603**	119,900
	380,100	297,312

NOTE 13: OTHER FINANCIAL LIABILITIES (CURRENT)

Financial liabilities measure at amortised cost:		
- Convertible notes – loan component	**1,308,580**	829,369
Financial liabilities designated at FVTPL:		
- Embedded derivatives	**163,469**	186,279
	1,472,049	1,015,648
Movement of the financial liabilities		
Opening balance: Convertible notes – loan component	**829,369**	-
Additions during the period	**600,000**	788,467
Increase in unpaid interest	**103,152**	40,902
Equity component transfer to reserve	**(35,809)**	
Imputed interest charge	**61,868**	-
Conversion to share	**(250,000)**	-
Closing balance: Convertible notes – loan component	**1,308,580**	829,369
Opening balance: Embedded derivatives	**186,279**	-
Additions during the period	**-**	193,982
(Gain)/Loss on movement in fair value	**(22,810)**	(7,703)
Closing balance: Embedded derivatives	**163,469**	186,279

During the year, additional $600,000 convertible notes were issued to fund and expand the continued development of the online educational games portal, www.KNeoWORLD.com.

The first issue of $25,000 was on 12 September 2013 with an interest rate of 10% - 15% per annum on the face value and is convertible at $0.001 with expiry date on 28 February 2015. The second issue of $575,000 was on 29 November 2013. Each note bears interest at a rate of 10% - 15% per annum on the face value of the notes. The convertible notes have a term of 18 months from the issue date until maturity on 28 February 2015. The convertible notes are repayable upon expiry if not redeemed prior to that time. Each note has a conversion price of $0.001.

During the year, $250,000 of these notes was converted to share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: ISSUED CAPITAL

	2014 $	2013 $
2,663,122,932 (2013: 1,426,122,932) fully paid ordinary shares	**67,986,375**	66,563,756

		2014 No.	2013 No.
a.	**Ordinary Shares**		
	At the beginning of reporting period	**1,426,122,932**	985,337,932
	Shares issued during the year		
	— Share issued	**612,000,000**	440,785,000
	— Exercise of options	**375,000,000**	-
	— Conversion of convertible notes	**250,000,000**	-
	At reporting date	**2,663,122,932**	1,426,122,932

The share capital of Entellect Limited consists only of fully paid ordinary shares. The shares do not have a par value. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. **Capital Management**

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The Group has $1,472,049 of borrowings as at 30 June 2014 (2013: $1,015,648).

NOTE 15: RESERVES

	2014 $	2013 $
Performance rights granted reserve		
Balance at beginning of financial year	**-**	-
Movement for the year	**17,133**	-
Balance at end of financial year	**17,133**	-

Nature and Purpose of Performance rights or Options Granted Reserve

This reserve is used to record the value of share based payments arising on the grant of performance rights and share options to employees, including key management personnel, as part of their remuneration under the employee share option plan, refer note 17.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange difference arising on translation of the foreign controlled subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: CASH FLOW INFORMATION

	2014 $	2013 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	**(1,764,265)**	**(2,071,446)**
Non-cash flows in profit		
Depreciation & amortisation	**20,798**	25,677
Impairment of leasehold improvement cost	**-**	76,532
Performance rights expense	**17,133**	-
Finance cost	**187,830**	33,199
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	**(12,433)**	(3,296)
(Increase)/decrease in other assets	**(35,469)**	(12,536)
Increase/(decrease) in trade payables and accruals	**(4,212)**	206,348
Net cash flow outflow from operations	**(1,590,618)**	(1,745,522)

NOTE 17: SHARE-BASED PAYMENTS

Unlisted share options/performance rights – long term incentive plan (LTIP)

The Company's LTIP was approved by shareholders on 29 November 2013 Annual General Meeting. The LTIP is designed to provide incentives to employees, including key management personnel one consolidated employee incentive plan and to encourage greater productivity from directors and management and to better enable the Company to retain its management personnel in a higher competitive market. Under the plan, participants are granted performance rights over shares. Participation in the plan is at the Board's discretion. The number of performance rights is calculated by dividing the dollar value of the participant's LTIP by the volume weighted average price of the shares for the five days prior to the date of the performance rights. The performance rights are not listed on ASX and will not be transferable, except as permitted under the LTIP.

During the year, the Company granted 89,000,000 performance rights under the plan to Directors on 29 November 2013 at nil consideration. The exercise price of the performance rights is nil per right. The performance rights are conditional upon continuation as a director until the revenue hurdle of $5mil gross revenue is achieved during any given 12 consecutive months. The performance rights will lapse if the performance hurdles are not achieved by 31 December 2016.

The Company also granted 25,000,000 performance rights under the plan to other key management personnel on 15 January 2014 at nil consideration. The exercise price of the performance rights is nil per right. The performance rights will be vested on the attainment of the key goal of US$5mil gross revenue accumulated over any 12 consecutive months. There is no expiry date on the performance rights granted.

The fair value of the performance rights granted to Directors and key management personnel at grant date was $0.001 and $0.003 respectively based on a Black Scholes option pricing model below.

As at 30 June 2014, the Company has recognised $17,133 performance rights expense in the statement of profit or loss and other comprehensive income for Directors and other KMP. The total expense over the life of the performance rights is $129,800.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: SHARE-BASED PAYMENTS (CONTINUED)

The table below shows a summary of key assumptions used in the valuation of the performance rights granted during the year:

Grant date	29-11-2013	15-1-2014
Number of options granted	89,000,000	25,000,000
Share price at grant date	$0.001	$0.003
Fair value at grant date	$0.001	$0.003
Exercise price	$Nil	$Nil
Expected volatility	253%	253%
Risk free interest	2.5%	2.5%
Expiry date	31-12-2016	cessation of employment of KMP
Estimated vesting probability	70%	90%

NOTE 18: PARENT INFORMATION

	2014	2013
	$	$
The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	**375,509**	3,112,256
Non-current Assets	**8,478**	9,791
TOTAL ASSETS	**383,987**	3,122,047
LIABILITIES		
Current Liabilities	**(1,811,940)**	(1,238,226)
TOTAL LIABILITIES	**(1,811,940)**	(1,238,226)
EQUITY		
Issued Capital	**67,986,375**	66,563,757
Convertibles Notes Reserve	**52,942**	-
Retained Earnings	**(69,467,270)**	(64,679,936)
TOTAL EQUITY	**(1,427,953)**	(1,883,821)
STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME	**-**	-
Total loss	**(4,787,334)**	(871,172)
Total comprehensive income	**(4,787,334)**	(871,172)

Guarantees

Entellect Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

Refer to Note 21 for details of contingent liabilities.

Contractual Commitments

At 30 June 2014 Entellect Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: CONTROLLED ENTITIES

Subsidiaries

The consolidated financial statements include the financial statements of Entellect Limited and the subsidiaries listed in the following table:-

	Country of Incorporation	Percentage Owned	
		2014	2013
Virtual Communications International Pty Ltd	Australia	**100**	100
KneoWorld Pty Ltd *(1)*	Australia	**80**	-
Knowledge Nation Pte Ltd *(2)*	Singapore	**-**	80
KneoWorld Inc.*(3)*	United Stated	**80**	80

(1). KneoWorld Pty Ltd was registered in June 2013 to take over the 100% ownership of KneoWorld Inc (previously known as Knowledge Nation Inc), a US company based in San Francisco and incorporated in Delaware from Knowledge Nation Pte Ltd (Singapore) on 1 July 2014. KneoWorld Pty Ltd was 80% owned by Entellect and 20% owned by unlisted Singapore based company Hotshot Media Limited.

(2). Knowledge Pty Ltd was deregistered in June 2013 and the ownership in KneoWorld Inc was transferred to KneoWorld Pty Ltd Australia with effect from 1 July 2014 in which 80% owned by Entellect and 20% owned by unlisted Singapore based company Hotshot Media Limited.

(3). Knowledge Nation Inc changed its name on 29 August 2013 to KneoWorld Inc. This company was incorporated since 15 March 2011.

Subsidiary with material non-controlling interests

The Group includes one subsidiary, KneoWorld Inc, with material Non-Controlling Interests (‘NCI’):

Name	Proportion of Ownership Interests & Voting Rights Held by the NCI		Loss Allocated to NCI		Accumulated NCI	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
KneoWorld Inc	20	20	161,882	441,366	744,743	582,861

No dividends were paid to the NCI during the years 2014 and 2013.

Summarised financial information for KneoWorld Inc, before intragroup eliminations, is set out below:

	2014 $	2013 $
Current assets	43,237	51,672
Non-current assets	9,474	14,448
Total assets	**52,711**	**66,120**
Current liabilities	(40,209)	(74,734)
Non-current liabilities	(3,735,785)	(2,905,693)
Total liabilities	**(3,775,994)**	**(2,980,427)**
Equity attributable to owners of the Parent	**2,983,123**	**1,896,869**
Non-controlling interests	**740,160**	**1,017,438**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: CONTROLLED ENTITIES (CONTINUED)

Subsidiary with material non-controlling interests (continued)

	2014 **$**	**2013** **$**
Revenue	6,102	1,411
(Loss)/profit for the year attributable to owners of the Parent	(629,198)	(747,084)
(Loss)/profit for the year attributable to NCI	(157,299)	(441,831)
Profit for the year	**(786,497)**	**(1,188,915)**
Other Comprehensive Income for the year (All attributable to owners of the Parent)	-	-
Total comprehensive income for the year attributable to owners of the Parent	-	-
Total comprehensive income for the year attributable to NCI	-	-
Total comprehensive income for the year	**(786,497)**	(1,188,915)

NOTE 20: CAPITAL AND LEASING COMMITMENTS

	2014 **$**	2013 $
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable –minimum lease payments		
Not later than 12 months	**23,274**	22,740
	23,274	22,740

The office lease is on a 3 monthly short lease basis at monthly rent of $4,109 equates US$3,879.

NOTE 21: CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent assets as at 30 June 2014 (2013: nil).

The Group’s contingent liability as at 30 June 2014 and 2013 was the consideration to be paid to Mooter Media Limited for the 20% stake in Knowledge Nation Pte Ltd which they disposed in May 2013 to be the 10 percent of the Knowledge Nation net profit before tax and other offsets for the two financial years ending 30 June 2014 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22: OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group has two operating segments being the Educational Games Distribution business and the vPublisher eBook Content Delivery Software business. While the Board acknowledges neither business achieved revenue during the period, segment reporting is maintained for continuity and the basis for future reporting.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and /or services provided by the segment; and
- The type or class of customer for the products or services.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

c. **Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22: OPERATING SEGMENTS (CONTINUED)

	2014			2013		
	vPublisher	**Educational Games**	**Consolidated**	vPublisher	Educational Games	Consolidated
	$	**$**	**$**	$	$	$
Segment Revenue						
External Sales	-	-	-	-	-	-
Total segment revenue	-	-	-	-	-	-
Segment net loss before tax	**(9,043)**	**(786,497)**	**(795,540)**	(11,360)	(1,188,915)	(1,200,275)
Reconciliation of segment result to group net profit						
Corporate costs	**-**	**-**	**(968,725)**	-	-	(871,171)
Group net loss before tax	**-**	**-**	**(1,764,265)**	-	-	(2,071,446)
Assets						
Segment assets	**3,382**	**52,711**	**56,093**	12,180	66,120	78,300
Corporate asset	**-**	**-**	**383,188**	-	-	133,411
Total Group Assets	**-**	**-**	**439,281**	-	-	211,711
Liabilities						
Segment liabilities	**-**	**(40,209)**	**(40,209)**	-	(74,734)	(74,734)
Corporate liability	**-**	**-**	**(1,811,940)**	-	-	(1,238,226)
Total Group Liabilities	**-**	**-**	**(1,852,149)**	-	-	(1,312,960)

NOTE 23: RELATED PARTY TRANSACTIONS

Transactions with Controlled Entities

Amounts receivable between the parent entity and these entities is set out below.

	2014	2013
	$	$
Loans to/(from)		
Knowledge Nations Pte Ltd	**3,520,410**	2,690,223
Virtual Communications International Pty Ltd	**298,199**	297,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and financial liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2014 $	2013 $
Financial Assets			
Cash and cash equivalents	7	**312,553**	117,037
Trade and other receivables	8	**29,598**	17,166
Other assets	9	**76,596**	41,127
		418,747	175,330
Financial Liabilities			
Trade and other payables	12	**380,100**	297,312
Financial liabilities	13	**1,472,049**	1,015,648
		1,852,149	1,312,960

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall financial risk management plan seeks to minimise potential adverse effects to due to the unpredictability of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risks the Group is exposed to through its financial instruments are liquidity risk and credit risk.

The risk management policies of Entellect Limited seek to mitigate the above risks and reduce volatility on the financial performance of the Group. Financial risk management is carries out centrally by the Finance Department of Entellect Limited.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Financial Liability and Financial Asset Maturity Analysis

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

	1-3		**3-6**		**>9 month**		**Total**	
	2014	2013	**2014**	2013	**2014**	2014	**2014**	2013
	$	$	**$**	$	**$**	$	**$**	$
Financial liabilities due for payment								
Trade and other payables	**154,546**	297,312	**42,210**	-	**183,344**	-	**380,100**	297,312
Financial liabilities	**-**	-	**-**	-	**1,472,049**	1,015,648	**1,472,049**	1,015,648
Total expected outflows	**154,546**	297,312	**42,210**	-	**1,655,393**	1,015,648	**1,852,149**	1,312,960
Financial assets — cash flows realisable								
Cash and cash equivalents	**312,553**	117,037	**-**	-	**-**	-	**312,553**	117,037
Trade and other receivables	**29,598**	17,166	**-**	-	**-**	-	**29,598**	17,166
Other assets	**34,096**	41,127	**42,500**	-	**-**	-	**76,596**	41,127
Total anticipated inflows	**376,247**	175,330	**42,500**	-	**-**	-	**418,747**	175,330
Net (outflow)/inflow on financial instruments	**221,701**	(121,982)	**290**	-	**(1,655,393)**	(1,015,648)	**(1,433,402)**	(1,137,630)

b. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counter parties), ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Collateral held by the Group securing receivables are detailed in Note 8: Trade and Other Receivables.

The Group has no significant concentration of credit risk with any single counter party or group of counter parties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

c. **Foreign currency risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial assets and financial liabilities which are other than the AUD functional currency of the Group.

With financial assets and financial liabilities being held by overseas operations, fluctuations in the US dollar may impact on the Group's financial results unless those exposures are appropriately hedged. The Group does not have a hedge policy in place.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

2014	**Net Financial Assets/(Liabilities) in AUD**	
Consolidated Group	**AUD**	**Total AUD**
Functional currency of entity:		
US dollar	**7,756**	**7,756**
Statement of financial position exposure	**7,756**	**7,756**
2013		
Consolidated Group		
Functional currency of entity:		
US dollar	(12,368)	(12,386)
SG dollar	(21,240)	(21,240)
Statement of financial position exposure	(33,608)	(33,608)

d. **Sensitivity analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

Interest rate risk

At balance date, the Group had the following financial asset exposed to Australian variable interest rate risk. The Group has no floating interest rate exposure on financial liabilities as the Group has no floating rate debt.

	2014 **$**	2013 $
Financial assets		
Cash and cash equivalents	**312,553**	117,037
Net exposure	**312,553**	117,037

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and other comprehensive income would have been affected as follows:

	Post Tax Profit/(Loss)		Other Comprehensive Income	
	Higher/	(Lower)	Higher/	(Lower)
	2014	2013	2014	2013
	$	$	$	$
Consolidated				
+1% (100 basis points)	**3,125**	1,170	**-**	-
-0.5% (50 basis points)	**(625)**	(585)	**-**	-

The movements in post-tax profit/(loss) and other comprehensive income are due to higher cash balances on hand as at 30 June 2014. The sensitivity is higher in 2014 than in 2013 because the cash balance in 2014 is higher.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and SG dollar and AUD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities that is not designated in cash flow hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

At balance date, the Group had the following exposure to US$ and SG$ foreign currency that is not designated in cash flow hedges:

	2014		2013	
	$'USD	$'SGD	$'USD	$'SGD
Financial assets				
Trade, other receivables & other assets	**23,818**	**-**	41,127	-
Financial liabilities				
Trade and other payables	**(40,210)**	**-**	(53,495)	(21,240)
Net exposure	**(16,392)**	**-**	(12,368)	(21,240)

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2014, if Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and other comprehensive income would have been affected as follows:

	Post Tax Profit/(Loss)		Other Comprehensive Income	
	Higher/	(Lower)	Higher/	(Lower)
	2014	2013	2014	2013
	$	$	$	$
Consolidated				
AUD to US Dollar +15% (2013: +15%)	**2,265**	1,613	**-**	-
AUD to US Dollar -15% (2013: -15%)	**(3,065)**	(2,183)	**-**	-
AUD to SGD Dollar +15% (2013: +15%)	**-**	3,186	**-**	-
AUD to SGD Dollar +15% (2013: +15%)	**-**	(3,186)	**-**	-

The movements in post-tax profit/(loss) and other comprehensive income are due to lower net exposure balance as at 30 June 2014. The sensitivity is higer in 2014 than in 2013 because net exposure balance for 2014 is higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than the matters noted below, no matters have arisen in the interval between the end of the financial year and the date of this report in respect of any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

On 15 July 2014, the Company held an Extraordinary General Meeting (EGM) and the results on all resolutions were passed and announced as below:-

- Ratification of issue of Convertible Notes and Attaching Options
- Ratification of August 2013 Placement Shares
- Ratification of issue of Shares to Jacobs Corporation Pty Ltd
- Ratification of issue of Professional Services Shares
- Ratification of issue of April 2014 Placement Shares
- Approval of issue of April 2014 Placement Attaching Options
- Approval of issue of Adviser Shares
- Approval of issue of Proposed Placement Securities under Proposed Placement
- Approval of issue of Conversion Securities pursuant to convertible loans
- Approval of issue of Shares to Mr Jeffrey Bennett in lieu of Director's fees
- Approval of issue of Shares to Mr Andrew Plympton in lieu of Director's fees

On 30 July 2014, the Company issued 108,200,000 shares after the EGM approval of which 10,000,000 share were issued in lieu of fees for capital raising services provided, 25,000,000 shares issued in part retirement of debt under two converting loans, 50,000,000 shares were issued to non-executive directors in lieu of directors' fees and 23,200,000 shares were issued under a capital raising placement.

On 30 July 2014, the Company also issued 140,100,000 options after the EGM approval of which 116,000,000 options issued as free attaching options to the share issued under a placement on 3 April 2014 on the basis of 1 free attaching option to every two placement shares issued, 12,500,000 options issued in part retirement of debts under two converting loans and 11,600,000 options as free attaching options under a placement on 3 April 2014 on the basis of 1 free attaching option to every two placement shares issued. Each option has an exercise price of $0.002 and is exercisable up until 3 October 2015. Any option not exercise on or before the expiry date will automatically lapse.

NOTE 26: COMPANY DETAILS

The registered office and principal place of business of the company is:

Level 1, 61 Spring Street
Melbourne VIC 3000
Australia

DIRECTORS' DECLARATION

The Directors of the Group declare that:

1. The consolidated financial statements and notes, as set out on pages 18 to 48 are in accordance with the Corporations Act 2001 and:

   a) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group; and

   b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

2. The Chief Executive Officer and the Chief Financial Officer (or equivalent) have each declared as required by Section 295A of the Corporations Act 2001 that:

   a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   b) the financial statements, and the notes for the financial year comply with the Accounting Standards; and

   c) the financial statements and notes for the financial year give a true and fair view;

3. In the directors' opinion, further to the matters included in Note 1(a), there are reasonable grounds to believe that Entellect Limited will be able to pay its debts as and when they become due and payable; and

4. The consolidated financial statements comply with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

Andrew Plympton
Chairman
25 September 2014

Grant Thornton

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Independent Auditor's Report
To the Members of Entellect Limited

Report on the financial report

We have audited the accompanying financial report of Entellect Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's opinion
In our opinion:

a the financial report of Entellect Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity incurred a net loss for the year of $1,764,265, net deficit of assets of $1,412,868 and net cash outflows used in operations of $1,590,618. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2014. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Entellect Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Partner - Audit & Assurance

Sydney, 25 September 2014

ADDITIONAL INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 17 September 2014 (**Reporting Date**).

Corporate Governance Statement

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Entellect's website (www.entellect.com.au), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

Substantial holders

As at the Reporting Date, based on notices lodged with the Company, there are no substantial holders of Entellect shares.

Number of holders

As at the Reporting Date, the number of holders in each class of equity securities on issue in Entellect is as follows:

Class of Equity Securities	Number of holders
Ordinary Shares	896
Options exercisable at $0.001 on or before 28 February 2015	5
Options exercisable at $0.002 on or before 3 October 2015	18
Convertible Notes	13
Performance Rights	3

**the Performance Rights issued under the Company's LTIP have varying performance vesting conditions*

Voting rights of equity securities

The only class of equity securities on issue in the Company which carry voting rights are ordinary shares.

As at the Reporting Date, there were 896 holders of a total of 2,771,322,932 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares is entitled to vote in person or by proxy or attorney; and on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds.

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	144	41,880	0.00
1,001 – 5,000	70	184,781	0.01
5,001 – 10,000	25	192,781	0.01
10,001 – 100,000	55	1,888,289	0.07
100,001 and above	602	2,769,015,855	99.92
Totals	**896**	**2,771,322,932**	**100.00**

Distribution of holders of options exercisable by 28 February 2015 at $0.001 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – 9,999,999,999	6	200,000,000	100
Totals			**100.000**

Distribution of holders of options exercisable by 3 October 2015 at $0.002 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – 9,999,999,999	18	140,100,000	100
Totals			**100.000**

Distribution of convertible note holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	13	36	100
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – 9,999,999,999	-	-	-
Totals			**100.000**

Distribution of performance rights holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – 9,999,999,999	3	89,000,000	100
Totals			**100.000**

Less than marketable parcels of ordinary shares

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

Total Securities	UMP Securities	UMP Holders	UMP %
2,771,322,932	7,456,014	333	0.27

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Holder Name	**Balance as at 30 June 2014**	**%**
BARRIJAG PTY LTD <THE HADLEY SUPER FUND A/C>	110,000,000	3.97
MR JINESH KIRAN PATEL	100,000,000	3.61
DENTOST PTY LTD	99,956,629	3.61
PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	95,000,000	3.43
FURNEAUX EQUITY LIMITED	83,000,000	2.99
MS LINDA LOUISE HUTCHISON	72,500,000	2.62
DR NIGEL FINCH & MRS ELIZABETH JANE FINCH	52,500,000	1.89
MR GIUSEPPE SURACE & MRS GIOVANNA MARIA SURACE	51,006,666	1.84
PARADYCE PTY LTD	50,000,000	1.80
ARMSTRONG INVESTMENT SOLUTIONS PTY LTD <ARMSTRONG INVESTMENT A/C>	49,137,123	1.77
AUSEPEN PTY LTD	48,000,000	1.73
SUPER HALF INVESTMENTS PTY LIMITED <DUNCAN MCRAE SUPER FUND A/C>	45,000,000	1.62
CITICORP NOMINEES PTY LIMITED	43,718,853	1.58
MR PETER STEPHEN CURTIS	42,000,000	1.52
ALPHA SECURITIES PTY LTD	40,000,000	1.44
LEO BARRY PTY LTD	36,000,000	1.30
MR ANDREW WILLIAM BLACKMAN	35,000,000	1.26
BAEDIS PTY LTD	34,000,000	1.23
STILLMORE HOLIDAYS PTY LTD <THE NOOSA UNIT A/C>	32,506,442	1.17
PEBBLE BAY CAPITAL PTE LTD	31,600,000	1.14
Total number of shares of Top 20 Holders	1,150,925,713	41.53
Total remaining holders balance	1,620,397,219	58.47

Company Secretary

The Company's secretary is Ms Sophie Karzis.

Registered Office

The address and telephone number of the Company's registered office are:

Level 1, 61 Spring Street
Melbourne, VIC 3000

Telephone: +61 (0)3 9286 7500

Share Registry

The address and telephone number of the Company's share registry, Automic Registry Services, are:

Street Address:
Level 1
7 Ventnor Ave
WEST PERTH WA 6005

Postal Address:
PO Box 223
WEST PERTH WA 6872

Telephone: 1300 288 664

Stock Exchange Listing

Entellect's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: ESN)

Voluntary escrow

There are no securities on issue in Entellect that are subject to voluntary escrow.

Unquoted equity securities

The number of each class of unquoted equity securities on issue, and the number of their holders, are as follows:

Class of Equity Securities	Number of unquoted Equity Securities	Number of holders
Options exercisable by 28 February 2015 for $0.001 each	200,000,000	5
Options exercisable by 3 October 2015 for $0.002 each	140,100,000	18
Convertible Notes	36	13
Performance Rights	89,000,000	3

The names of the holders of 20% or more of the equity securities in an unquoted class and the number of equity securities held by each of these holders (other than in the case of securities issued or acquired under an employee incentive scheme) are as follows:

Holder Name	Class of unquoted Equity Securities	Number of unquoted Equity Securities held	% of total unquoted Equity Securities in the relevant class
Barrijag Pty Ltd (T/as Hadley Superannuation Fund)	Convertible Notes	12	33.33
Jinesh Kiran Patel	Options exercisable by 3 October 2015 for $0.002 each	50,000,000	25
Pebble Bay Capital Pte Ltd	Options exercisable by 3 October 2015 for $0.002 each	75,000,000	37.5

On-market buyback

The Company is not currently conducting an on-market buy-back.

Item 7 issues of securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.