



**ENTELLECT LIMITED
and Controlled Entities
ABN 41 009 221 783**

**ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**Lodged with ASX under Listing Rule 4.2A
This information should be read in conjunction with 30 June 2011
Annual Report**

ENTELLECT LTD AND CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2011

TABLE OF CONTENTS

	Page
Results for the Half-Year Ended 31 December 2011 – Appendix 4D	3
Directors' Report	5
Auditor's Independence Declaration	7
Financial Report for the Half-Year ended 31 December 2011	
Consolidated Statement of comprehensive income	8
Consolidated Statement of financial position	9
Consolidated Statement of changes in equity	10
Consolidated Statement of cash flows	11
Notes to the Consolidated financial statements	12
Directors' Declaration	16
Independent Auditor's Review Report	17

ASX Announcement - Appendix 4D

HALF-YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2011

Name of Entity	Entellect Limited
Australian Business Number	41 009 221 783
Report for Half Year Ended:	31 December 2011
Previous corresponding Financial Year ended:	30 June 2011
And Half Year Ended:	31 December 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	% Change	\$
Revenues from ordinary activities (<i>item 2.1</i>)	N/A to	N/A
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>) up	68.7% to	758,196
Net loss for the period attributable to members (<i>item 2.3</i>) up	68.7% to	758,196
Dividends (distributions) (<i>item 2.4</i>)	Amount per share	Franked amount per share
Final dividend	Nil ¢	Nil ¢
Interim dividend		
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends (<i>item 2.5</i>)	N/A	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):

Entellect Limited had no revenue for the year ended 31 December 2011 as was expected however the Directors believe the Group is now well placed to execute its business development objectives.

On 15 July 2011 Entellect Limited successfully completed its recapitalisation pursuant to its non-renounceable Rights Issue (with a public offer component) in conjunction with a placement (collectively the **Offer**), in accordance with the terms set out in the Company's replacement prospectus dated 17 June 2011.

The Company applied to the Australian Securities Exchange (**ASX**) to have its shares re-quoted on the official list of the ASX and this was approved; consequently, the Company's shares were re-quoted and resumed trading on the ASX on 25 July 2011.

As a result of the Offer, the Company as at 20 July 2011 had raised \$4,327,493 and had 952,737,932 fully paid ordinary shares and 9,712,500 options on issue.

On 1 August 2011, Entellect Limited issued 32,600,000 fully paid ordinary shares with a deemed value of \$163,000 in repayment of a loan (\$150,000); in consideration for consulting services previously provided to the Company (\$5,000); and in relation to a settlement with a previous employee of the Company (\$8,000).

For further detailed information relating to the activities of Entellect Limited over the past six months together with your Director's Report, please refer to the attached Interim Financial Report.

Net Tangible asset per share

	31 Dec 2011	31 Dec 2010
Net tangible asset backing per share	<u>0.16 cents</u>	<u>(0.01) cents</u>

The attached interim financial report for the half-year ended 31 December 2011 has been subject to review by the company's independent auditor and an unqualified review report has been issued.

Please refer to the 31 December 2011 Interim Financial Report signed on 28 February 2012.

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2011.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Your Directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2011.

DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Andrew Plympton	Non-Executive Chairman,
James Kellett	Executive Director, Chief Executive Officer
Jeffrey Bennett	Non-Executive Director

Directors were in office from the start of the period to the date of this report unless otherwise stated.

REVIEW OF OPERATIONS

Group overview

Entellect Limited had no revenue for the year ended 31 December 2011 as was expected however the Directors believe the Group is now well placed to execute its business development objectives.

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	Consolidated 31 Dec 2011	Consolidated 31 Dec 2010
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Earnings per share

Basic earnings/(loss) per share (cents)	(0.09)	(0.03)
Diluted earnings/(loss) per share (cents)	(0.09)	(0.03)

Financial position

The consolidated entity had net assets of \$1,585,394 as at 31 December 2011 (30 June 2011: net liabilities \$1,647,995).

Cash flows

During the six months to 31 December 2011, the consolidated entity incurred net operating cash outflows of \$660,402 (2010: \$453,235). The consolidated entity had cash of \$1,329,794 at 31 December 2011 (30 June 2011: \$275,122).

Results of segments

The Group's 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. Refer to Note 2 for segment disclosure.

OUTLOOK

As stated in the 2011 Annual Report the Directors are optimistic that the Group will be able to develop and commercialise its two key businesses, vPublisher and Knowledge Nation, throughout the current financial year.

In recognition of the globally expanding games based learning sector, our San Francisco based joint venture, Knowledge Nation, has broadened its target market to expedite earlier revenue streams and reduce distribution costs. Iterating the 2011 Annual Report, Entellect's excitement and belief in its games-based educational concepts and strategies continues to rapidly grow. As the world moves exponentially forward in the use of mobile platforms to deliver ever-expanding communication and vast amounts of content to the world, the use of these devices to gain knowledge becomes more obvious and essential. Knowledge Nation's belief that there would be a dynamic, sustained growth in the games-based learning market has been realised.

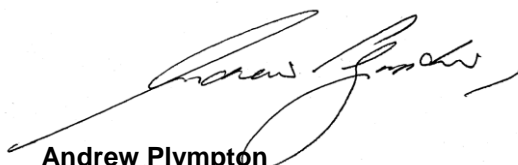
The vPublisher business continues to develop collaborative relationships with likely major partners who have demonstrated interest in developing the vPublisher products for their specific application and distribution. In recognition of the sophistication and size of the likely market for the products, the Directors have determined a partnership with a major industry related company is the most appropriate path forward to minimise further development and distribution costs, and negotiations continue with potential partners. As such the Company will advise shareholders as and when further developments emerge.

After a substantial period of reconstruction and re-capitalisation, the Board believes the Company is now gaining momentum as it moves toward revenue and looks forward to reporting the next milestone to shareholders.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act* 2001 is set out on page 7 for the half-year ended 31 December 2011, which forms part of this report.

This report is signed in accordance with a resolution of the Board of Directors.



Andrew Plympton
Chairman
28 February 2012

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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 review of Entellect Limited for the half-year ended 31 December 2011, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner, Audit & Assurance

Sydney, 28 February 2012

ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Revenue	-	-
Other income	32,631	70
	32,631	70
Employee benefits expense	(150,861)	(78,995)
Corporate & Professional expenses	(322,389)	(359,872)
Depreciation and amortisation expense	(1,932)	(151)
Other expenses	(460,014)	(4,677)
Finance costs	(19,347)	(5,637)
Loss before income tax	(921,912)	(449,262)
Income tax expense	-	-
Loss from continuing operations	(921,912)	(449,262)
 Other comprehensive loss		
Exchange difference on translation of foreign operations (net of tax)	715	-
Total comprehensive loss for the period	(921,197)	(449,262)
Loss attributable to:		
— members of the parent entity	(758,196)	(449,262)
— non-controlling interest	(163,716)	-
	(921,912)	(449,262)
Total comprehensive loss attributable to:		
— members of the parent entity	(769,091)	(449,262)
— non-controlling interest	(152,106)	-
	(921,197)	(449,262)
 Earnings per share		
From continuing operations:		
— Basic and diluted earnings per share (cents)	(0.09)	(0.03)

The interim financial statements should be read in conjunction with the accompanying notes.

ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Consolidated	
	31 Dec 2011	30 Jun 2011
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	1,329,794	275,122
Trade and other receivables	33,367	135,220
Prepayments	30,865	344,674
Other current financial assets	100,000	-
Total Current Assets	1,494,026	755,016
Non-current Assets		
Property, plant and equipment	140,628	119,085
Intangible assets	21,167	33,187
Total Non-current Assets	161,795	152,272
Total Assets	1,655,821	907,288
Liabilities		
Current Liabilities		
Trade and other payables	70,427	228,266
Short-term borrowings	-	2,327,017
Total Current Liabilities	70,427	2,555,283
Total Liabilities	70,427	2,555,283
Net Assets/ (Liabilities)	1,585,394	(1,647,995)
Equity		
Issued capital	66,026,599	61,872,013
Reserves	370,283	826,682
Accumulated losses	(64,511,355)	(64,198,663)
Parent Entity Interest	1,885,527	(1,499,968)
Non-controlling Interest	(300,133)	(148,027)
Total Equity	1,585,394	(1,647,995)

The interim financial statements should be read in conjunction with the accompanying notes.

**ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non- controlling Interests	Total
Balance at 1.7.2010	61,872,013	(63,011,864)	(14, 294)	985,260	(178,127)	(347,012)
Total comprehensive loss for the period	-	(449,262)	-	-	-	(449,262)
Transactions with owners in their capacity as owners: Transferred to retained earnings	-	(182,421)	14,294	(10,000)	178,127	-
Balance at 31.12.2010	<u>61,872,013</u>	<u>(63,643,547)</u>	<u>-</u>	<u>975,260</u>	<u>-</u>	<u>(796,274)</u>
Balance at 1.7.2011	61,872,013	(64,198,663)	(19,597)	846,279	(148,027)	(1,647,995)
Total comprehensive loss for the period	-	(758,196)	(10,895)	-	(152,106)	(921,197)
Transactions with owners in their capacity as owners: Shares issued/Conversion of loan to shares	4,490,490	-	-	-	-	4,490,490
Transaction costs on shares issued	(335,904)	-	-	-	-	(335,904)
Transferred to retained earnings	-	445,504	-	(445,504)	-	-
Balance at 31.12.2011	<u>66,026,599</u>	<u>(64,511,355)</u>	<u>(30,492)</u>	<u>400,775</u>	<u>(300,133)</u>	<u>1,585,394</u>

The interim financial statements should be read in conjunction with the accompanying notes.

**ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated Entity	
	31 Dec 2011	31 Dec 2010
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(673,683)	(447,668)
Interest received	30,873	70
Finance costs	(19,347)	(5,637)
Net cash used in operating activities	(662,157)	(453,235)
Cash flows from investing activities		
Payment for plant and equipment	(11,455)	(15,288)
Payment for other financial assets	(100,000)	-
Net cash used in investing activities	(111,455)	(15,288)
Cash flows from financing activities		
Proceeds from issue of shares	4,490,490	-
Payment for share issue costs	(335,904)	-
Proceeds from borrowings	-	657,396
Repayment of borrowings	(2,327,017)	-
Net cash provided by financing activities	1,827,569	657,396
Net increase in cash held	1,053,957	188,873
Cash at the beginning of the period	275,122	45,051
Effects of exchange rate changes on cash and cash equivalents	715	-
Cash at the end of the period	1,329,794	233,924

The interim financial statements should be read in conjunction with the accompanying notes.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. Basis of preparation of the half year financial report

(a) Basis of preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2011 and are presented in Australian dollar (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2011 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this Interim Financial Report as were applied in the most recent annual financial statements.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2012.

(b) Going concern basis of accounting

Notwithstanding the loss for the period of \$921,197 (for the period ended 31 December 2010: \$449,262) and net cash outflows used in operations of \$660,402 (for the period ended 31 December 2010: \$453,235), the financial report has been prepared on a going concern basis. The Directors are confident that the combination of careful management of overheads, the continuation of the Company's business in vPublisher eBook Content Delivery Software, the development of Educational Games Distribution business and its software development collaboration with Mooter Media Limited, will provide sufficient funds to meet the ongoing capital requirements of the Group for the foreseeable future.

On the basis of these factors, the Company'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 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.

(c) Critical Accounting Estimate and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

1) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Where an impairment trigger exists, the recoverable amount of the asset is determined. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

2. Segment reporting

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's 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.

Segment performance

	Six months ended 31 December 2011			Six months ended 31 December 2010	
	vPublisher \$	Educational Games \$	Consolidated \$	Educational Software \$	Consolidated \$
Segment Revenue					
From continuing operations	-	-	-	-	-
External Sales	-	-	-	-	-
Total segment revenue	-	-	-	-	-
Segment net loss before tax	(131,068)	(409,291)	(540,359)	-	-
Reconciliation of segment result to group net loss					
Unallocated items	-	-	-	-	-
Corporate costs	-	-	(381,553)	-	(449,262)
Group net loss before tax	-	-	(921,912)	-	(449,262)

ENTELLECT LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

2. Segment reporting (Continued)

	Six months ended 31 December 2011			Six months ended 30 June 2011		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
Assets						
Segment assets	64,069	230,564	294,633	50,095	280,362	330,457
Corporate assets	-	-	1,361,188	-	-	576,831
Total Group Assets	-	-	1,655,821	-	-	907,288
Liabilities						
Segment Liabilities	(20,248)	(6,954)	(27,202)	(5,206)	(6,831)	(12,037)
Corporate liability	-	-	(43,225)	-	-	(2,543,246)
Total Group Liabilities	-	-	(70,427)	-	-	(2,555,283)

3. Issued Capital

	31 December 2011 \$	30 June 2011 \$
a. Paid-up Capital		
985,337,932 (June 2011: 87,239,240) fully paid ordinary shares	66,362,503	61,872,013
Share issue costs	(335,904)	-
	<u>66,026,599</u>	<u>61,872,013</u>
	No.	No.
b. Ordinary Shares		
At the beginning of reporting period	87,239,240	1,744,778,615
Shares issued during the period		
— 20 July 2011	865,498,692	-
— 1 August 2011	32,600,000	-
Shares consolidation during the period		
— 11 March 2011	-	(1,657,539,375)
At reporting date	<u>985,337,932</u>	<u>87,239,240</u>

4. Contingent liabilities

There are no outstanding contingent liabilities as at 31 December 2011 (30 June 2011: Nil).

**ENTELLECT LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

5. Details of entities over which control has been gained or lost during the period

Control gained over entities

During the half-year ended 31 December 2011, the Company did not acquire any subsidiary entities.

Loss of control of entities

There was no disposal of subsidiary entities in the half-year ended 31 December 2011.

6. Subsequent events

No material matters have occurred since 31 December 2011.

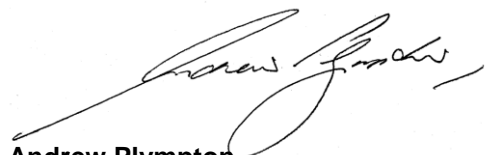
**ENTELLECT LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

The Directors of Entellect Limited declare that:

1. The Interim Financial Report for the half-year ended 31 December 2011, as set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Andrew Plympton
Chairman
28 February 2012

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Independent Auditor's Review Report To the Members of Entellect Limited

We have reviewed the accompanying half-year financial report of Entellect Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

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

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity’s financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Entellect Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Entellect Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 28 February 2012