

# ENTELLECT LIMITED

(ASX:ESN)

## ASX and Media Release

30 August 2012

- **KNeoWORLD product launch imminent and revenue to commence September 2012**
- **Company well positioned as major participant in educational games and media industry**

---

The Directors of Entellect Limited (**ESN** or the **Company**) are pleased to confirm that the commercial release of the education-based games and applications web portal KNeoWORLD is scheduled for September 2012. KNeoWORLD is the first commercial product to be launched by Knowledge Nation, the Company's 60% owned joint venture. The Directors expect revenue generation from KNeoWORLD to commence upon its launch and to continue to build a solid strategy for growth in the dynamic social games and media industry.

---

### Results

The Group's results for the year ended 30 June 2012 reflect that the Group did not have revenue during the 2012 financial year but continued to fund the development of **KNeoWORLD**. The results reflect the Company's contribution to its 60% owned joint venture, Knowledge Nation, and in particular Knowledge Nation's cost of developing KNeoWORLD at its San Francisco offices, as well as the corporate costs of ESN. The Directors are satisfied that expenditure for Knowledge Nation to date represents a sound investment in the development of KNeoWORLD as a major asset which the Company expect will continue to grow and achieve revenues from, not only in North America, but in other major geographic regions as well.

---

### Outlook

#### Knowledge Nation

The Company is a 60% joint venture partner in Knowledge Nation, a Singapore-based company with its development arm (Knowledge Nation Inc.) based in San Francisco, US. The other joint venture partners are Mooter Media Limited (ASX: MMZ) and Hot Shot Media Group Limited owning 20% respectively.

Through Knowledge Nation, ESN has developed its innovative education-based games and applications web portal KNeoWORLD which is a unique fusion of games, education and social media technology.

Knowledge Nation is packaging bundles of games and apps in **KNeoPACKS** for the 6 to 16 year old education market. The KNeoPACKS will be available to children, parents and educators through direct digital distribution via the KNeoWORLD portal website on a user micro subscription revenue model using specialist digital distribution optimisation channels.

Entellect recently reached a major milestone with the successful completion of the first phase of KNeoWORLD beta testing. Market testing has now commenced and the public launch remains on track for release in September 2012. KNeoWORLD will initially be distributed in the US market.

#### US Games Market Overview

The launch of KNeoWORLD offers the Company the opportunity of tapping into an educational gaming sector which is growing at a rapid pace. The US games market is estimated to be in excess of \$65 billion. According to the GSV Education Factbook, educational technology for 6 to 16 year olds is poised for significant growth from \$2 billion in 2012 to \$7.4 billion by 2017. Additionally, the mobile application

market is predicted to reach \$17.5 billion by 2012.

### **About Online Educational Games**

Online educational games have been proven to be educationally effective, dramatically increasing educational outcomes. Acquisition and retention of knowledge is enhanced by play as play is engaging and well-balanced computer games are very effective learning tools.

### **Entellect's KNeoWORLD Business Model**

- **Proven games industry business models (one-off bundles and monthly subscription)**
- **Educational games rated and categorised by world experts**
- **Over-arching meta world to track learning profile across all games**
- **Metrics capture to facilitate real-time modification of game content**
- **Micro subscription revenue model to access entire portfolio**
- **Other regions to launch after initial US product launch.**

The Directors believe KNeoWORLD represents a significant opportunity to participate in the rapidly expanding mobile and educational games industry. Mobile 'edugames' are already outselling non-mobile (PC/web/console) 'edugames'. Revenue achieved from mobile 'edugames' reached \$163.3 million in 2011. The compound annual growth rate (CAGR) of the mobile 'edugames' sector is 16.9%, and based on this CAGR, North American revenues from 'edugames' will reach \$359.3 million by 2016. In comparison, the CAGR for non-mobile 'edugames' is 4.9% and based on this rate revenues will reach \$155.5 million by 2016<sup>1</sup>.

### **vPublisher:**

Entellect has re-launched vPublisher, its market ready internationally deployable mobile device, e-book content delivery software, capable of working in all languages, including Asian languages and deployable on all standard operating systems. The Company exclusively holds the intellectual property in vPublisher, and continues pursue revenue opportunities with joint venture parties who can offer product distribution to potentially wide customer bases. The Directors have refrained from engaging in high product development costs in a rapidly changing market until such time as those costs can be amortised against appropriate levels of revenue and profit.

---

<sup>1</sup> Ambient Insight August 2012

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

**ASX APPENDIX 4E – PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2012**

**Lodged with ASX under Listing Rule 4.3A**

# ASX Announcement - Appendix 4E

## PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

Name of Entity	Entellect Limited
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2011 to 30 June 2012
Previous corresponding reporting period:	1 July 2010 to 30 June 2011

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities		N/A	to	N/A
Loss from ordinary activities after tax attributable to members	up	57.3	to	1,995,816
Net loss for the year attributable to members of parent (before non-controlling interest)	up	38.6	to	1,570,969
<b>Dividends (distributions)</b>		Amount per share		Franked amount per share
Final dividend		Nil ¢		Nil ¢
Interim dividend		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢
Record date for determining entitlements to the dividends		N/A		

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2012

### Review of Operations

The Group's results for the year ended 30 June 2012 reflect that the Group did not have revenue during the 2012 financial year but continued to fund the development of **KNeoWORLD**. The results reflect the Company's contribution to its 60% owned joint venture, Knowledge Nation, and in particular Knowledge Nation's cost of developing KNeoWORLD at its San Francisco offices, as well as the corporate costs of ESN. The Directors are satisfied that expenditure for Knowledge Nation to date represents a sound investment in the development of KNeoWORLD as a major asset which the Company expect will continue to grow and achieve revenues from, not only in North America, but in other major geographic regions as well.

	<b>Consolidated 30 June 2012</b>	Consolidated 30 June 2011
<b>Earnings per share</b>		
Basic and diluted earnings per share (cents)	<b>(0.17)</b>	(1.30)

### Financial position

The Group had net assets of \$477,585 as at 30 June 2012 (2011: net liabilities \$1,647,995).

### Cash flows

During the year, the Group incurred net operating cash outflows of \$1,637,273 (2011: \$1,704,849). The Group had cash of \$419,255 at 30 June 2012 (2011: \$275,122).

### Net Tangible asset per share

	<b>30 June 2012</b>	<b>30 June 2011</b>
Net tangible asset/(liability) backing per share	<u>0.00 cents</u>	<u>(1.00 cents)</u>

### Results of segments

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 year, segment reporting is maintained for continuity and the basis for future reporting. Refer to Note 1 for segment disclosure.

**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	Consolidated 30 June 2012 \$	30 June 2011 \$
<b>Revenue</b>			
Sales revenue		-	-
Other income		76,867	70
		<b>76,867</b>	<b>70</b>
Employee benefits expense		(1,170,286)	(569,533)
Corporate & Professional expenses		(398,215)	(512,128)
Depreciation and amortisation expense		(25,963)	(34,509)
Other expenses		(457,389)	(82,521)
Finance costs		(20,830)	(70,006)
<b>Loss before income tax</b>		<b>(1,995,816)</b>	<b>(1,268,627)</b>
Income tax expense		-	-
<b>Loss for the year attributable to members</b>		<b>(1,995,816)</b>	<b>(1,268,627)</b>
<b>Other comprehensive loss</b>			
Exchange difference on translation of foreign operations (net of tax)		(33,190)	(19,597)
<b>Total comprehensive loss for the year</b>		<b>(2,029,006)</b>	<b>(1,288,224)</b>
Loss attributable to:			
Members of the parent entity		(1,570,969)	(1,133,359)
Non-controlling interest		(424,847)	(135,268)
		<b>(1,995,816)</b>	<b>(1,268,627)</b>
Total comprehensive loss attributable to:			
Members of the parent entity		(1,601,425)	(1,152,956)
Non-controlling interest		(427,581)	(135,268)
		<b>(2,029,006)</b>	<b>(1,288,224)</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share (cents)	5	(0.17)	(1.30)

**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2012**

	Notes	Consolidated 30 June 2012 \$	30 Jun 2011 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		419,255	275,122
Trade and other receivables		13,870	135,220
Prepayments		28,591	344,674
<b>Total Current Assets</b>		<b>461,716</b>	<b>755,016</b>
<b>Non-current Assets</b>			
Property, plant and equipment		122,815	119,085
Intangible assets		16,467	33,187
<b>Total Non-current Assets</b>		<b>139,282</b>	<b>152,272</b>
<b>Total Assets</b>		<b>600,998</b>	<b>907,288</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		123,413	228,266
Short-term borrowings		-	2,327,017
<b>Total Current Liabilities</b>		<b>123,413</b>	<b>2,555,283</b>
<b>Total Liabilities</b>		<b>123,413</b>	<b>2,555,283</b>
<b>Net Assets/ (Liabilities)</b>		<b>477,585</b>	<b>(1,647,995)</b>
<b>Equity</b>			
Issued capital	4	66,026,599	61,872,013
Reserves		327,722	826,682
Accumulated losses		(65,301,128)	(64,198,663)
<b>Parent Entity Interest</b>		<b>1,053,193</b>	<b>(1,499,968)</b>
<b>Non-controlling Interest</b>		<b>(575,608)</b>	<b>(148,027)</b>
<b>Total Equity</b>		<b>477,585</b>	<b>(1,647,995)</b>

**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	<b>61,872,013</b>	<b>(64,198,663)</b>	<b>(19,597)</b>	<b>846,279</b>	<b>(148,027)</b>	<b>(1,647,995)</b>
Net loss for the year	-	(1,570,969)	-	-	(424,847)	(1,995,816)
Other comprehensive income	-	-	(30,456)	-	(2,734)	(33,190)
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,570,969)</b>	<b>(30,456)</b>	<b>-</b>	<b>(427,581)</b>	<b>(2,029,006)</b>
Shares issued	4,490,490	-	-	-	-	4,490,490
Transaction costs on shares issued	(335,904)	-	-	-	-	(335,904)
Transferred to retained earnings	-	468,504	-	(468,504)	-	-
<b>Balance at 30 June 2012</b>	<b>66,026,599</b>	<b>(65,301,128)</b>	<b>(50,053)</b>	<b>377,775</b>	<b>(575,608)</b>	<b>477,585</b>
Balance at 1 July 2010	61,872,013	(63,011,864)	(14,294)	985,260	(178,127)	(347,012)
Net loss for the year	-	(1,133,359)	-	-	(135,268)	(1,268,627)
Other comprehensive income	-	-	(19,597)	-	-	(19,597)
Total comprehensive income	-	(1,133,359)	(19,597)	-	(135,268)	(1,288,224)
Non-controlling interest on initial investment	-	-	-	-	(12,759)	(12,759)
Transferred to retained earnings	-	(53,440)	14,294	(138,981)	178,127	-
<b>Balance at 30 June 2011</b>	<b>61,872,013</b>	<b>(64,198,663)</b>	<b>(19,597)</b>	<b>846,279</b>	<b>(148,027)</b>	<b>(1,647,995)</b>



**ENTELLECT LIMITED & CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated Entity	
	30 June 2012	30 June 2011
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,693,310)	(1,634,913)
Interest received	76,867	70
Finance costs	(20,830)	(70,06)
<b>Net cash used in operating activities</b>	<u>(1,637,273)</u>	<u>(1,704,849)</u>
<b>Cash flows from investing activities</b>		
Payment for plant and equipment	(12,973)	(151,261)
Payment for other financial assets	-	(35,520)
<b>Net cash used in investing activities</b>	<u>(12,973)</u>	<u>(186,781)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	4,490,490	-
Payment for share issue costs	(335,904)	-
Proceeds/(Repayment) of borrowings	(2,327,017)	2,127,017
<b>Net cash provided by financing activities</b>	<u>1,827,569</u>	<u>2,127,017</u>
<b>Net increase in cash held</b>	<b>177,323</b>	<b>235,387</b>
Cash and cash equivalents at the beginning of the financial year	<b>275,122</b>	<b>45,051</b>
Effects of exchange rate changes on cash and cash equivalents	<b>(33,190)</b>	<b>(5,316)</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<u><b>419,255</b></u>	<u><b>275,122</b></u>

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

This report is based on accounts that are in the process of being audited.

#### 1. 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 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

	2012			2011		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Segment Revenue</b>						
External Sales	-	-	-	-	-	-
<b>Total segment revenue</b>	-	-	-	-	-	-
<b>Segment net loss before tax</b>	<b>(254,853)</b>	<b>(1,062,118)</b>	<b>(1,316,971)</b>	(19,563)	(338,170)	(357,733)
<b>Reconciliation of segment result to group net profit</b>						
Unallocated items	-	-	-	-	-	-
Corporate costs	-	-	<b>(678,845)</b>	-	-	(910,894)
<b>Group net loss before tax</b>	-	-	<b>(1,995,816)</b>	-	-	(1,268,627)
<b>Assets</b>						
Segment assets	<b>35,957</b>	<b>262,972</b>	<b>298,929</b>	50,095	280,362	330,457
Corporate asset	-	-	<b>302,069</b>	-	-	576,831
Unallocated	-	-	-	-	-	-
<b>Total Group Assets</b>	-	-	<b>600,998</b>	-	-	907,288
<b>Liabilities</b>						
Segment liabilities	<b>(12,420)</b>	<b>(43,698)</b>	<b>(56,118)</b>	(5,206)	(6,831)	(12,037)
Corporate liability	-	-	<b>(67,295)</b>	-	-	(2,543,246)
Unallocated	-	-	-	-	-	-
<b>Total Group Liabilities</b>	-	-	<b>(123,413)</b>	-	-	(2,555,283)

**ENTELLECT LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**2. Dividends**

The Group does not intend to pay a dividend in respect of the year ended 30 June 2012 (2011: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

**3. Net Tangible Assets Per Share**

Net tangible asset backing per ordinary share at 30 June 2012 was 0.00 cents (2011: Liability of 1.00 cents).

**4. Issued Capital**

	2012 \$	2011 \$
<b>a. Paid-up Capital</b>		
985,337,932 (2011: 87,239,240) fully paid ordinary shares	<b>66,362,503</b>	61,872,013
Share issue costs	<b>(335,904)</b>	-
	<b>66,026,599</b>	61,872,013
	<b>No.</b>	<b>No.</b>
<b>b. Ordinary Shares</b>		
At the beginning of reporting period	<b>87,239,240</b>	1,744,778,615
Shares issued during the period		
— 20 July 2011	<b>865,498,692</b>	-
— 1 August 2011	<b>32,600,000</b>	-
Shares consolidation during the period		
— 11 March 2011	-	(1,657,539,375)
At reporting date	<b>985,337,932</b>	87,239,240

**5. Earnings Per Share**

	2012 No.	2011 No.
<b>Weighted Average Number of Shares</b>		
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>958,884,689</b>	87,239,240
	<b>2012 \$</b>	<b>2011 \$</b>
<b>Earnings Used in Calculating EPS</b>		
Loss for the year	<b>1,995,816</b>	1,268,627
Loss attributable to non-controlling interest	<b>424,847</b>	135,268
Earnings used to calculate basic and diluted EPS	<b>1,570,969</b>	1,133,627

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.

**6. Contingent liabilities**

There are no outstanding contingent liabilities as at 30 June 2012 (2011: Nil).

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

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

##### Control gained over entities

During the year ended 30 June 2012, the Group did not acquire any subsidiary entities.

##### Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2012.

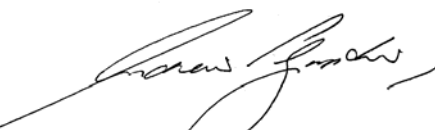
#### 8. Subsequent events

There were no significant events subsequent to balance date.

#### 9. Status of the audit

This Preliminary Financial Report is based on the Group's 2012 annual financial report, the accounts of which are in the process of being audited. No matters have arisen which would result in a dispute or qualification in the current year.

On behalf of the board



Andrew Plympton  
**Chairman**

Melbourne, 30 August 2012