

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

**ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

**Lodged with ASX under Listing Rule 4.2A
This information should be read in conjunction with 30 June 2012
Annual Report**

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

31 DECEMBER 2012

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Entellec Limited

Appendix 4D

HALF-YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2012

Name of Entity	Entellec Limited
Australian Business Number	41 009 221 783
Report for Half Year Ended:	31 December 2012
Previous corresponding Financial Year ended:	30 June 2012
And Half Year Ended:	31 December 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change	\$
Revenues from ordinary activities		N/A	to 1,138
Loss from ordinary activities after tax attributable to members	up	22.9	to 1,133,111
Net loss for the period attributable to members (before non-controlling interest)	up	11.3	to 844,210

DIVIDENDS

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend		
Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

EXPLANATION

Revenue for the half-year ended 31 December 2012 was \$1,138, a very minimum increase over the previous corresponding period (2011: \$Nil).

The net loss from ordinary activities after tax attributable to members was \$1,133,111, an increase of 22.9% over the previous corresponding period (2011: net loss \$921,197) largely attributable to increased marketing expenses incurred in preparation for the launch of the Company's KNeoWORLD Games Portal

Net tangible asset backing per ordinary share at 31 December 2012 was (0.04) cents (30 June 2012: 0.05 cents). There was no gain or loss of control over any entities during the half-year ended 31 December 2012. The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

Additional Appendix 4D disclosure requirements can be found in the attached Directors' Report and the 31 December 2012 half-year financial statements.

This report is based on the consolidated 2012 half half-year financial statements which have been reviewed by the Company's auditor with the Independent Auditor's Report included on the 31 December 2012 half-year financial statements.

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2012.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Your Directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2012.

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 commenced generating revenue in the United States of America during the period from the commercialisation and launch of its KNeoWorld Educational Games Portal. The commencement of revenue, together with the Company's successful capital raising during the period sees the Group well placed to progress its business development objectives.

In December 2012 Entellect Limited successfully completed its partially underwritten share purchase plan (**SPP**) under which a total of 144,785,000 shares were issued and allotted to shareholders who participated in the SPP.

During the period, the Company focussed on strengthening and expanding its KNeoWorld Educational Games Portal including upgrading the technology to enable the educational games to be accessed through popular Apple products (iPhones and iPads) as well as other devices running Apple's iOS mobile operating system via a single dedicated conversion application. In addition, the KNeoWorld Educational Games Portal was further developed to enable it to be accessed from Android tablets and smart phones including Samsung. A number of the KneoWORLD Educational games are also available at the Google Play Store with more to follow.

	Consolidated 31 Dec 2012	Consolidated 31 Dec 2011
Earnings per share		
Basic earnings/(loss) per share (cents)	(0.09)	(0.09)
Diluted earnings/(loss) per share (cents)	(0.09)	(0.09)

Financial position

The consolidated entity had net liabilities of \$442,472 as at 31 December 2012 (30 June 2012: net assets \$477,585).

Cash flows

During the six months to 31 December 2012, the consolidated entity incurred net operating cash outflows of \$935,112 (2011: \$662,157). The consolidated entity had cash of \$153,189 at 31 December 2012 (30 June 2012: \$419,255).

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 period, segment reporting is maintained for continuity and the basis for future reporting. Refer to Note 2 for segment disclosure.

OUTLOOK

The Directors remain optimistic that the Company will be able to continue to commercialise its world-class educational interactive games portal, KNeoWORLD.

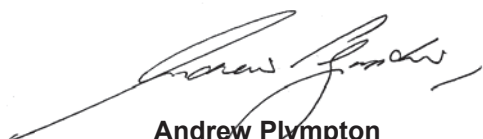
The Company's San Francisco based joint venture, Knowledge Nation, continues to develop and enhance the KNeoWORLD educational interactive games portal so as to allow access to a broader target market and to accordingly expedite revenue streams and reduce distribution costs.

The launch of the KNeoWorld educational interactive games portal has strengthened Knowledge Nation's belief that there is the potential for dynamic and sustained growth in games-based learning and as the product continues to gain momentum, the Directors look 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 6 for the half-year ended 31 December 2012, 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 2013

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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 2012, 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



A G Rigele
Partner - Audit & Assurance

Sydney, 28 February 2013

ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$	\$
Revenue		
Sales revenue	1,138	-
Other income	8,177	32,631
	9,315	32,631
Employee benefits expense	(469,328)	(150,861)
Corporate & Professional expenses	(196,543)	(322,389)
Depreciation and amortisation expense	(24,467)	(1,932)
Other expenses	(430,482)	(460,014)
Finance costs	(21,606)	(19,347)
Loss before income tax	(1,133,111)	(921,912)
Income tax expense	-	-
Loss for the period attributable to members	(1,133,111)	(921,912)
 Other comprehensive (loss) / income		
Items that will be classified subsequently to profit or loss:		
Exchange difference on translation of foreign operations (net of tax)	(28,103)	715
Total comprehensive loss for the period	(1,161,214)	(921,197)
Loss attributable to:		
— members of the parent entity	(844,210)	(758,196)
— non-controlling interest	(288,901)	(163,716)
	(1,133,111)	(921,912)
Total comprehensive loss attributable to:		
— members of the parent entity	(862,142)	(769,091)
— non-controlling interest	(299,072)	(152,106)
	(1,161,214)	(921,197)
 Earnings per share		
— Basic and diluted earnings per share (cents)	(0.09)	(0.09)

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 2012

	Consolidated	
	31 Dec 2012	30 Jun 2012
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	153,189	419,255
Trade and other receivables	23,295	13,870
Other assets	27,341	28,591
Total Current Assets	203,825	461,716
Non-current Assets		
Property, plant and equipment	102,504	122,815
Intangible assets	11,778	16,467
Total Non-current Assets	114,282	139,282
Total Assets	318,107	600,998
Liabilities		
Current Liabilities		
Trade and other payables	305,121	123,413
Financial liability	455,458	-
Total Current Liabilities	760,579	123,413
Total Liabilities	760,579	123,413
Net Assets/(Liabilities)	(442,472)	477,585
Equity		
Issued capital	66,267,756	66,026,599
Reserves	(67,985)	327,722
Accumulated losses	(65,767,563)	(65,301,128)
Parent Entity Interest	432,208	1,053,193
Non-controlling Interest	(874,680)	(575,608)
Total Equity	(442,472)	477,585

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 2012**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non- controlling Interests	Total
Balance at 1.7.2012	66,026,599	(65,301,128)	(50,053)	377,775	(575,608)	477,585
Net loss for the period	-	(844,210)	-	-	(288,901)	(1,133,111)
Other comprehensive loss for the period	-	-	(17,932)	-	(10,171)	(28,103)
Total Comprehensive Income	-	(844,210)	(17,932)	-	(299,072)	(1,161,214)
Transactions with owners in their capacity as owners:						
Shares issued	289,570	-	-	-	-	289,570
Transaction costs on shares issued	(48,413)	-	-	-	-	(48,413)
Transferred to retained earnings	-	377,775	-	(377,775)	-	-
Balance at 31.12.2012	66,267,756	65,767,563	(67,985)	-	874,680	442,472
Balance at 1.7.2011	61,872,013	(64,198,663)	(19,597)	846,279	(148,027)	(1,647,995)
Net loss for the period	-	(758,196)	-	-	(163,716)	(921,912)
Other comprehensive loss	-	-	(10,895)	-	11,610	715
Total Comprehensive Income	-	(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	66,026,599	(64,511,355)	(30,492)	400,775	(300,133)	1,585,394

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 2012**

	Consolidated Entity	
	31 Dec 2012	31 Dec 2011
	\$	\$
Cash flows from operating activities		
Receipts from customers	8,833	-
Payments to suppliers and employees	(923,624)	(673,683)
Interest received	1,285	30,873
Finance costs	(21,606)	(19,347)
Net cash used in operating activities	(935,112)	(662,157)
Cash flows from investing activities		
Payment for plant and equipment	(1,633)	(11,455)
Payment for other financial assets	-	(100,000)
Net cash used in investing activities	(1,633)	(111,455)
Cash flows from financing activities		
Proceeds from issue of shares	289,570	4,490,490
Payment for share issue costs	(48,413)	(335,904)
Proceeds from borrowings	455,458	-
Repayment of borrowings	-	(2,327,017)
Net cash provided by financing activities	696,615	1,827,569
Net increase/(decrease) in cash held	(240,130)	1,053,957
Cash at the beginning of the period	419,255	275,122
Effects of exchange rate changes on cash and cash equivalents	(25,936)	715
Cash at the end of the period	153,189	1,329,794

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 2012

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 2012 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 2013.

(b) Changes in accounting policy

The accounting policies and methods of computation are consistent with those of the most recent annual financial report.

(c) Going concern basis of accounting

Notwithstanding the loss for the period of \$1,133,111 (for the period ended 31 December 2011: \$921,912), net deficit of assets of \$442,472 at 31 December 2012 (\$477,505 surplus of assets at 30 June 2012) and net cash outflows used in operations of \$935,112 (for the period ended 31 December 2011: \$662,157), 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 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.

(d) 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 2012

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 2012			Six months ended 31 December 2011		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
Segment Revenue						
From continuing operations	-	-	-	-	-	-
External Sales	-	-	-	-	-	-
Total segment revenue	-	-	-	-	-	-
Segment net loss before tax	(5,576)	(722,253)	(727,829)	(131,068)	(409,291)	(540,359)
Reconciliation of segment result to group net loss						
Unallocated items	-	-	-	-	-	-
Corporate costs	-	-	(405,282)	-	-	(381,553)
Group net loss before tax	-	-	(1,133,111)	-	-	(921,912)

ENTELLECT LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

2. Segment reporting (Continued)

	31 December 2012			30 June 2012		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
Assets						
Segment assets	17,734	119,186	136,920	35,957	262,972	298,929
Corporate assets	-	-	181,187	-	-	302,069
Total Group Assets	-	-	318,107	-	-	600,998
Liabilities						
Segment Liabilities	-	(71,976)	(71,976)	(12,420)	(43,698)	(56,118)
Corporate liability	-	-	(688,603)	-	-	(67,295)
Total Group Liabilities	-	-	(760,579)	-	-	(123,413)

3. Financial Liability (Current)

	31 December 2012 \$	30 June 2012 \$
Convertible Notes	455,458	-
	455,458	-

During the half year period, \$450,000 Convertible Notes were issued to fund and expand the continued development of the educational games. Each note has a face value of \$25,000 and the notes bear interest at a rate of 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 2014. The Convertible Notes are repayable upon expiry if not redeemed prior to that time. The Convertible Notes also have the conversion option to convert into fully paid ordinary share in the Group at a price of \$0.006 per share the note-holders discretion.

**ENTELLECT LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

4. Issued Capital

	31 December 2012 \$	30 June 2012 \$
a. Paid-up Capital		
1,130,122,932 (June 2012: 985,337,932) fully paid ordinary shares	66,316,169	66,362,502
Share issue costs	(48,413)	(335,904)
	66,267,756	66,026,599
b. Ordinary Shares	No.	No.
At the beginning of reporting period	985,337,932	87,239,240
Shares issued during the period		
— 27 December 2012	144,785,000	-
— 20 July 2011	-	865,498,692
— 1 August 2011	-	32,600,000
At reporting date	1,130,122,932	985,337,932

5. Contingent liabilities

There are no outstanding contingent liabilities as at 31 December 2012 (30 June 2012: Nil).

6. 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 2012, 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 2012.

7. Subsequent events

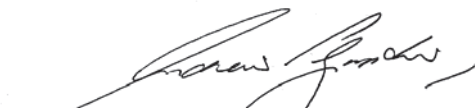
The Company is currently in the process of undertaking the short fall placement offer from the recent Share Purchase Plan up to 10,000,000 fully paid ordinary shares at approximately \$0.0012. The short fall offer of shares pursuant to the Placement is made without a disclosure documents pursuant to the exclusion under Section 708 of the Corporation Act. The Company expects to raise approximately \$171,000.

ENTELLECT LIMITED AND CONTROLLED ENTITIES DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

The Directors of the Entellect Limited declare that:

1. The Interim Financial Report for the half-year ended 31 December 2012, 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 2012 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 2013

Grant Thornton Audit Pty Ltd
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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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information 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 Entellect Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Entellect Limited consolidated entity’s financial position as at 31 December 2012 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 2012 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.

Material uncertainty regarding continuation as going concern

Without qualifying our conclusion, we draw attention to Note 1(c) in the financial report which indicates that the consolidated entity incurred a net loss of \$1,133,111 and net cash outflows used in operations of \$935,112 during the half-year ended 31 December 2012 and has net deficit of assets of \$442,472 at 31 December 2012. These conditions, along with other matters as set forth in Note 1(c), 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A G Rigele
Partner - Audit & Assurance

Sydney, 28 February 2013