

Elect Holdings Limited (formerly Intellect Holdings Limited) and its controlled entities
ABN 50 009 366 009

31 December 2008

Results for Announcement to the Market

	Half-year ended 31 December		
	2008	2007	Movement
	\$000	\$000	%
Revenue	6,571	5,359	22.6
Loss from ordinary activities after tax attributable to members	(1,665)	(5,122)	67.5
Net loss for the period attributable to members	(1,665)	(5,122)	67.5
Loss per share – basic (cents)	(2.9)	(8.9)	67.5
Loss per share – diluted (cents)	(2.9)	(8.9)	67.5
Net tangible asset deficiency per security (cents)	(50.7)	(34.8)	(45.7)

Dividends	Amount per security	Franked amount per security at 30%
Interim dividend paid	-	-
Final dividend paid	-	-
Record date for determining entitlements to the interim dividend:	N/A	-

Brief explanation of any figures reported above or other items of importance not previously reported to the market:

Refer to the Directors' Report included in the half-year financial report for explanations.

Discussion and Analysis of the results for the half-year ended 31 December 2008:

Refer to the Directors' Report included in the half-year financial report for commentary.

Ellect Holdings Limited (formerly Intellect Holdings Limited) and its controlled entities
ABN 50 009 366 009

INTERIM FINANCIAL REPORT

31 DECEMBER 2008

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Ellect Holdings Limited (formerly Intellect Holdings Limited)
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DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half year ended 31 December 2008 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the half year are:

Mr WJ McLeland	(Non-executive chairman)
Dr A Sullivan	(Non-executive director)

Review of operations

Ellect Holdings operated with two subsidiary entities:

- 1 a 100% owned Belgium subsidiary Intellect International; and
- 2 a 100% owned Australian subsidiary Intellect Australia Pty Ltd; and

one associate, the 26% owned Australian company Touch Holdings Limited (formerly TAFMO Limited).

Intellect International is the "only" trading entity in the Intellect Group of companies in this financial half year. The company had sales of some \$6,571,000 (2007 \$5,359,000) and an operating loss \$1,665,000 (2007 \$5,122,000).

Contracts were secured with First Data in Austria for the supply of mobile Forte payment terminals and for unmanned Solo Payment terminals.

Service and maintenance of the earlier generation of Intellect POS equipment for First Data, Austria continued throughout this business year also.

Repeat business for Solo terminals was continued with Elme in Germany and with CCV in Holland.

New orders will be secured with ATAC in Italy for the supply of Desktop Forte pin pad terminals to be integrated into the ERG supplied contactless ticketing system which ATAC operates in Rome. It is anticipated that sales of Forte terminals to ATAC will continue to develop during the coming years.

Extension orders for Forte Desktop pin pads and Solo unmanned terminals are anticipated from the MYKI consortium in Melbourne, Australia via the Intellect agents, Task/Armaguard.

The Forte and Solo products are proving stable, reliable and market competitive and we anticipate continued sales for products, systems and services with selected customers, with these products, in the upper end of the payment systems market.

Significant Changes in the State of Affairs

1. On 23 May 2008 Ellect Holdings Limited obtained a voluntary suspension from trading on the ASX for the reason to re-structure and recapitalise.

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Directors' Report (continued)

2. On 6 June 2008 the Board of Ellect Holdings Limited appointed Messrs Michael Ryan and Ian Francis as Joint and Several Administrators of Ellect Holdings Limited and Intellect Australia Pty Ltd pursuant to Section 436A of the Corporations Act 2001.
3. The first meetings of the creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held concurrently on 18 June 2008. A committee of creditors was not appointed at that meeting to either Ellect Holdings Limited or Intellect Australia Pty Ltd.
4. Following two separate applications to the Supreme Court of Western Australia, the convening period for the holding of the second meeting of creditors was extended initially to 26 August 2008 and subsequently to 10 October 2008.
5. The second concurrent meetings of creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held on 16 October 2008.
6. The purpose of the second meeting was for creditors to decide on Ellect Holdings Limited and Intellect Australia Pty Ltd's individual future and, in particular, whether:
 - (a) Ellect Holdings Limited and Intellect Australia Pty Ltd would be required to execute a Deed of Company Arrangement (**DOCA**); or
 - (b) Whether the administrations should end; or
 - (c) Whether Ellect Holdings Limited and Intellect Australia Pty Ltd should be wound up.

Outlook

Ellect Holdings Limited is seeking to have the ASX's suspension removed and sold as a shell to a third party.

Subsequent events

Except for the following, there has not arisen in the interval between the end of the half year and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Since 31 December 2008 the Deed of Company Arrangement Proposal (**DOCA**) was agreed by members and implemented. The key terms of the DOCA are:

1. The assets of Ellect Holdings Limited, including Ellect Holdings Limited's shareholdings in Touch Holdings Limited (formerly TAFMO Limited) and Intellect International NV, are to be sold to an entity to be owned by the secured creditors (**New Co**) for a total consideration of \$22 million.
2. The intellectual property held by Intellect Australia Pty Ltd is to be acquired by New Co.
3. New Co will pay consideration for Ellect Holdings Limited's assets and Intellect Australia Pty Ltd's intellectual property as follows:
 - (a) by assuming a \$2 million liability in respect of 8 million Touch Holdings Limited (formerly TAFMO Limited) shares;

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Directors' Report (continued)

- (b) by payment in cash of \$1.8 million;
- 4. by offsetting the balance of the consideration of \$18.2 million against part of the debt outstanding to the current secured creditors.
- 5. The cash consideration is to be applied by way of part satisfaction of the secured loan. \$300,000 shall be applied towards the cost of the administration. \$1,500,000 shall be distributed to the secured creditors.
- 6. Approximately \$4.16 million of the existing secured creditors debt will convert to be (interest free) secured convertible notes in Ellect Holdings Limited.
- 7. The secured creditors are to be issued 500,000,000 shares in Ellect Holdings Limited in settlement of the remaining debt (approximately \$10 million).
- 8. Related party creditors will not participate/prove in the DOCA.
- 9. Non related unsecured creditors of both Ellect Holdings Limited and Intellect Australia Pty Ltd are to be issued shares in Ellect Holdings Limited. They participate equally based on the proposed ratio of 30 shares for every dollar of proven debt/admitted claim.
- 10. The maximum number of shares to be issued to all admitted unsecured creditors of Intellect Australia Pty Ltd shall be limited to 20,682,360.
- 11. The maximum number of shares available to be issued to all admitted unsecured creditors of Ellect Holdings Limited shall be limited to 64,317,640.
- 12. Existing Intellect Australia Pty Ltd employee accrued entitlements shall be paid in the ordinary course by way of New Co assuming the obligation for their entitlements.
- 13. The Administrators will be the Deed Administrators.
- 14. The Directors will resume control of Ellect Holdings Limited and Intellect Australia Pty Ltd during the Deed Administration period.
- 15. The implementation of the proposal is conditional on a number of conditions precedent including necessary regulatory and shareholder approvals.
- 16. Subject to an extension authorised by the Administrator, if all conditions precedent of the DOCA are not met by 28 February 2009 it will terminate and Ellect Holdings Limited and Intellect Australia Pty Ltd will proceed into liquidation.

An extraordinary general meeting of Ellect Holdings Limited's members was held on 15 January 2009 (**Meeting**).

The purpose of the Meeting was to consider resolutions enabling Ellect Holdings Limited to:

- 1. issue up to 585,000,000 ordinary fully paid shares to creditors;
- 2. issue up to 4,156,465 notes to secured creditors;
- 3. dispose of its main undertaking to 'New Co', a company to be owned by secured creditors on implementation of the proposal;
- 4. consolidate its ordinary fully paid shares, whereby every 100 ordinary fully paid shares would be consolidated into 1 ordinary fully paid share; and

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Directors' Report (continued)

5. change its name to from Intellect Holdings Limited to Ellect Holdings Limited.

The DOCA contained the proposal comprising Ellect Holdings Limited:

1. transferring its and Intellect Australia Pty Ltd's key assets to 'New Co', a company to be owned by the secured creditors on implementation of the proposal;
2. continuing as a company listed on the ASX, without its key assets;
3. issuing ordinary fully paid shares to creditors which will result in them acquiring approximately 91% of the Ellect Holdings Limited's ordinary fully paid shares, with existing shareholders' interests in Ellect Holdings Limited diluted to approximately 9% of Ellect Holdings Limited's ordinary fully paid shares;
4. issuing approximately 4.16 million notes to secured creditors which, if fully converted, would dilute existing shareholders interests in Ellect Holdings Limited to approximately 7% of Ellect Holdings Limited's ordinary fully paid shares; and
5. obtaining a release of pre-administration debt, except as provided in the DOCA.

The implication for Ellect Holdings Limited shareholders, if the proposal is implemented, was that the key assets of Ellect Holdings Limited will be transferred to an entity to be owned by secured creditors and existing shareholders' interests in the then asset-less Ellect Holdings Limited will be substantially diluted.

On 30 January 2009, ASIC changed the name from Intellect Holdings Limited to Ellect Holdings Limited.

During the period from 15 January 2009 to 28 April 2009:

1. Key Ellect Holdings Limited assets were transferred to New Co; and
2. De-registration of a lien held by a former employee (Mr Thomas Ream) over shares held by Ellect Holdings Limited in Intellect International NV (a wholly owned subsidiary) was approved by a Belgian Court.

On 28 April 2009, the Administrators made application for the issue to creditors of 560,667,245 pre-consolidation ordinary fully paid shares and 4,156,165 pre-consolidation notes. These ordinary fully paid shares and notes were allotted and issued to creditors on 28 April 2009.

On 5 May 2009, Ellect Holdings Limited's ordinary fully paid shares and notes were consolidated into 1 for every 100. Post-consolidation ordinary fully paid shares total 6,186,070. Post-consolidation notes total 41,569.

Ellect Holdings Limited remains suspended by the ASX.

The DOCA was finalised by 17 August 2010, when the Administrators resigned as DOCA Administrators.

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Directors' Report (continued)

Based on recent market transactions, the Administrator's sale campaign and the alternative indicative DOCA (deed of company arrangement) proposals received by the Administrator, the shell of a listed public company may be valued between \$500,000 and \$1 million. However, recent regulatory developments and market changes may cause a decrease in the market value of such a shell.

In connection with re-organisation of the Consolidated Entity, certain inter-company and third party debts have been released. Terms of the release include:

1. Releasing debt by Ellect Holdings Limited (effective from the date of a creditor deed) in favour of the respective Group company, and the mutual release from all claims and liabilities in connection with the debt being released;
2. Releasing debt by the respective Group company (effective from the date of a creditor deed) in favour of the Company, and the mutual release from all claims and liabilities in connection with the debt being released;
3. Excepting a remaining loan totalling \$200,000, all inter-company debts have been released;
4. The \$200,000 remaining loan is not recoverable from the Ellect Holdings Limited with the present financing arrangements but in the event that any investment is made by third parties in Ellect Holdings Limited leaving remnant funds owing to the lender's related parties, then the \$200,000 remaining loan will leave a mechanism to recoup these funds; and
5. The Convertible Notes outstanding at 30 June 2010 matured 5 May 2011. At a meeting of Convertible Note holders held 10 October 2011, the Note holders resolved to assent to the term of their Convertible Notes being extended by 2 years to 5 May 2013 (by means of a formal amendment by the Security Trustee, by agreement with the Company, of the Amended and restated Convertible Note Issue Trust Deed, to take effect from 1 April 2011).

Lead auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half year ended 31 December 2008.

Signed in accordance with a resolution of the Board of directors:



WJ McLeland

Chairman

Sydney

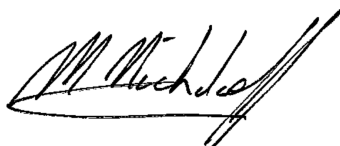
21st October 2011

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To The Directors of Ellect Holdings Limited

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2008 there has been:

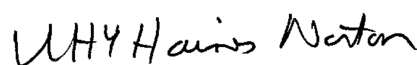
- i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Mark Nicholaeff

Partner

Signed at Sydney on 21 October 2011



UHY Haines Norton

Chartered Accountants

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$000	\$000
Revenue	6,571	5,359
Other income	112	61
Foreign exchange gain	3,052	-
Total revenue	9,735	5,420
Changes in inventories of finished goods and work in progress	878	349
Raw materials and consumables used	(4,802)	(2,977)
Employee benefits expense	(3,023)	(3,555)
Depreciation and amortisation expense	(214)	(150)
Bad Debts	(39)	-
Finance costs	(38)	(1,491)
Consultancy fees	(314)	(689)
Occupancy costs	(432)	(368)
Travel costs	(209)	(174)
Foreign exchange loss	(2,719)	-
Other expenses	(488)	(1,487)
Total expenses	(11,400)	(10,542)
Loss before income tax	(1,665)	(5,122)
Income tax benefit	-	-
Net loss from continuing operations	(1,665)	(5,122)
Basic and diluted loss per share attributable to ordinary equity holders – continuing operations (cents)	(2.9)	(8.9)

The condensed consolidated income statement is to be read in conjunction with the notes to the interim financial report set out on pages 8 to 16.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008

Consolidated	Issued capital \$000	Other Reserves \$000	Accumulated losses \$000	Total Equity \$000
Balance at 1 July 2007	84,181	785	(97,771)	(12,805)
Loss for the period	-	-	(5,122)	(5,122)
FX reserve	-	260	-	260
Balance at 31 December 2007	<u>84,181</u>	<u>1,045</u>	<u>(102,893)</u>	<u>(17,667)</u>
Balance at 1 July 2008	84,181	972	(114,205)	(29,052)
Loss for the period	-	-	(1,665)	(1,665)
FX reserve	-	1,408	-	1,408
Balance at 31 December 2008	<u>84,181</u>	<u>2,380</u>	<u>(115,870)</u>	<u>(29,309)</u>

The condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the interim financial report set out on pages 8 to 16

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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CONDENSED CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	31 Dec 2008 \$000	30 June 2008 \$000
Current assets			
Cash and cash equivalents		541	1,660
Trade and other receivables		5,874	2,157
Inventories		4,509	3,631
Other		43	521
Total current assets		10,967	7,969
Non-current assets			
Trade and other receivables		-	48
Available for sale financial assets		6,500	6,500
Property, plant and equipment		426	296
Other		-	560
Total non-current assets		6,926	7,404
Total assets		17,893	15,373
Current liabilities			
Trade and other payables		5,120	3,459
Financial liabilities		23,983	23,500
Provisions		2,080	5,517
Other		8,765	2,832
Total current liabilities		39,948	35,308
Non-current liabilities			
Deferred tax liabilities		59	59
Financial liabilities		7,195	7,195
Provisions		-	2
Other		-	1,861
Total non-current liabilities		7,254	9,117
Total liabilities		47,202	44,425
Net assets		(29,309)	(29,052)
Equity			
Issued capital	7	84,181	84,181
Reserves		2,380	972
Accumulated losses		(115,870)	(114,205)
Total equity		(29,309)	(29,052)

The condensed consolidated balance sheet is to be read in conjunction with the notes to the half year report set out on pages 8 to 16

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 December 2008

	31 Dec 2008	31 Dec 2007
	\$000	\$000
Cash flows from operating activities		
Cash receipts from customers	5,634	5,002
Payments to suppliers and employees	(9,043)	(10,511)
Interest received	2	9
Interest and other finance costs paid	-	(41)
Other income	83	-
Net cash used in operating activities	(3,324)	(5,541)
Cash flows from investing activities		
Purchases of property plant and equipment	(318)	-
Net cash used in investing activities	(318)	-
Cash flows from financing activities		
Proceeds from borrowings	483	6,000
Net cash generated from financing activities	483	6,000
Net decrease in cash and cash equivalents	(3,159)	459
Cash and cash equivalents at beginning of period	1,660	1,410
Effect of exchange fluctuations on cash held	2,040	13
Cash and cash equivalents at end of period	541	1,882

The condensed consolidated cash flow statement is to be read in conjunction with the notes to the interim financial report set out on pages 8 to 16.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Ellect Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company's business office at Apartment 2, 278-284 Sussex Street, NSW 2000.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008.

This consolidated interim financial report was approved on 21st October 2011 by the Board of Directors

3. Going Concern

On 23 May 2008 the Board of Ellect Holdings Limited requested and obtained a voluntary suspension from trading on the ASX for the reason to re-structure and recapitalise.

On 6 June 2008 the Board of Ellect Holdings Limited resolved that Ellect Holdings Limited is likely to become insolvent at some future time and appointed Messrs Michael Ryan and Ian Francis as Joint and Several Administrators of Ellect Holdings Limited and Intellect Australia Pty Ltd pursuant to Section 436A of the Corporations Act 2001.

The first meetings of the creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held concurrently on 18 June 2008. A committee of creditors was not appointed at that meeting to either Ellect Holdings Limited or Intellect Australia Pty Ltd.

Following two separate applications to the Supreme Court of Western Australia, the convening period for the holding of a second meeting of creditors was extended initially to 26 August 2008 and subsequently to 10 October 2008.

The second concurrent meetings of creditors of Ellect Holdings Limited and Intellect Australia Pty Ltd were held on 16 October 2008.

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

3. Going Concern (continued)

The purpose of the second meeting was for creditors to decide on Ellect Holdings Limited and Intellect Australia Pty Ltd's individual future and, in particular, whether:

- (i) Ellect Holdings Limited and Intellect Australia Pty Ltd would be required to execute a DOCA (Deed of Company Arrangement); or
- (ii) Whether the administrations should end; or
- (iii) Whether Ellect Holdings Limited and Intellect Australia Pty Ltd should be wound up.

At the second meetings, creditors approved Ellect Holdings Limited and Intellect Australia Pty Ltd executing the DOCAs.

The appointment of the Administrators ended on 5 November 2008, although the Administrators were still required to administer the Deed of Company Arrangement and were appointed DOCA administrator, also effective 5 November 2008.

In the half year ended 31 December 2008 the Consolidated Entity recorded a net loss from continuing operations of \$1,665,000 (2007 \$5,122,000) and a net operating cash outflow of \$3,324,000 (2007 \$5,541,000). At 31 December 2008, the Consolidated Entity had net liabilities of \$29,309,000 (30 June 2008 \$29,052,000) and net current liabilities of \$28,981,000 (30 June 2008 \$27,339,000).

The company is continuing to pursue opportunities for capital restructure, which should ensure that the ongoing Group is in a solvent position and is expected to satisfy the relevant regulatory authorities, including ASIC and the ASX.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt about the Group's and Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group and the Company have adequate resources. For these reasons they continue to adopt the going concern basis in preparing the financial report.

4. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008.

5. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

5. Estimates (continued)

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2008.

6. Segment reporting

Business and geographical segments

Business segments

The Consolidated Entity operates predominantly in the design, marketing, distribution and manufacturing of security and electronic funds transfer and encapsulated solid state keyboard technology.

Geographical segments

The consolidated entity operates only in Australia.

7. Issued Capital

	Notes	Parent entity		Parent entity	
		31 December 2008	30 June 2008	31 December 2008	30 June 2008
		Number of Shares	Number of Shares	\$000	\$000
(a) Share capital					
Ordinary fully paid shares	(c),(d)	<u>57,829,872</u>	<u>57,829,872</u>	<u>83,749</u>	<u>83,749</u>
		<u>57,829,872</u>	<u>57,829,872</u>	<u>83,749</u>	<u>83,749</u>
(b) Other equity securities					
Value of conversion rights - convertible notes (net of tax)	(e)			392	392
Value of conversion rights – loans (net of tax)				40	40
Other					
Total contributed equity				<u>84,181</u>	<u>84,181</u>

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

7. Issued Capital (continued)

(c) Movements in ordinary share capital

Date	Details	Number of shares	\$000
1 July 2008	Balance	57,829,872	83,749
31 December 2008	Balance	57,829,872	83,749

(d) Ordinary Fully Paid Shares

Ordinary fully paid shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(e) Other Equity Securities

The amount shown for other equity securities is the value of the conversion rights relating to the convertible notes.

(f) Capital Management

The Group's objectives when managing capital and reserves are to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base sufficient to maintain its existing business. In order to maintain or adjust the capital and reserve structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through debt to maintain its business. The Group monitors capital on the basis of the gearing ratio.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Related Party Transactions

(a) Parent entities

The ultimate Australian parent entity is Ellect Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 10.

(c) Loans to Related Parties

	Parent entity 2008 \$
<i>Loans to subsidiaries</i>	
Beginning of the half year	27,843,285
Loans advanced	39,901
End of the half year	<u>27,883,186</u>

(d) Transactions with Related Parties

Eclectic Investments Trust plc

Eclectic Investments Trust plc is an associated company to Mr Warren McLeland, Chairman of Ellect Holdings Limited. Mr McLeland has been a director of Eclectic Investments Trust plc (previously Stocks Convertible Trust plc) during the half years ended 31 December 2008 and 31 December 2007.

At 31 December 2008 and 31 December 2007, Eclectic Investments Trust plc held 2,000,000 secured convertible notes with a face value of \$1.00 each and 800,000 options to subscribe for ordinary fully paid shares by 5 January 2010 at an exercise price of 80 cents each.

Convertible notes (including unpaid interest) payable by the Company to Eclectic Investments Trust plc totalled \$2,331,470 when the Administrators were appointed on 6 June 2008.

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Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Related Party Transactions (continued)

Utilico Limited

Mr McLeland, Chairman of Ellect Holdings Limited, was a director of Utilico Limited (**Utilico**) during the half years ended 31 December 2008 and 31 December 2007. Utilico advanced the following loans to the Company:

- (i) \$2.0 million per a loan agreement dated 26 February 2007 (\$1.0 million drawn 6 July 2007 and \$1.0 million drawn 20 August 2007); and
- (ii) \$2.5 million drawn 30 November 2007.

Utilico held at 31 December 2008:

- (i) 6,979,193 (2007 6,979,193) ordinary fully paid shares;
- (ii) 3,100,000 (2007 3,100,000) \$1.00 secured convertible notes totalling \$3,613,779 (2007 \$3,264,123) including unpaid interest;
- (iii) 1,240,000 (2007 1,240,000) options to subscribe for ordinary fully paid shares by 5 January 2010 at an exercise price of 80 cents each; and
- (iv) Loans payable by the Company to Utilico totalling \$17,456,721 (2007 \$9,458,130) including unpaid interest and fees.

During the half year ended 31 December 2008 no interest or fees were paid to Utilico for notes or loans.

Inducam NV is an associated company to Mr Franky Carbonez. For the period 7 June 2005 to 1 November 2007, when he resigned, Mr Carbonez was a Director of Ellect Holdings Limited.

Mr Carbonez was also a director of Inducam NV during the half years ended 31 December 2008 and 31 December 2007.

Inducam N.V. participated with an amount totalling \$800,000 in a loan advanced to the Company. On 6 January 2005 this loan was subsequently satisfied by the issue of 800,000 \$1.00 secured convertible notes and 320,000 free attached options to Pendulum Investments Pty Ltd as a trustee for Inducam N.V.

During the half year ended 31 December 2008 no interest or fees were paid to Inducam NV for these notes.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Key Management Personnel Disclosures

(a) Directors

The following persons were directors of Ellect Holdings Limited during the financial half year:

Mr WJ McLeland Non Executive Chairman Appointed 21 April 2005

Dr AC Sullivan Non Executive Director Appointed 9 August 2007

(b) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Options are granted under the Employee Share Option Plan (ESOP) which was approved by shareholders at the November 2000 Annual General Meeting. The Company has issued Options to the Group General Manager. Details are:

Options

250,000 pre-consolidation Options were granted for no consideration.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Expiry date	Pre-consolidation Exercise price	Pre-consolidation value at Grant Date per option	Date exercisable
23 June 2006	31 December 2009	\$0.80	\$0.1597	On or before 31 December 2009

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

The pre-consolidation exercise price of options was \$0.80 each.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Key Management Personnel Disclosures (continued)

The options granted above vested immediately and the assessed fair value at grant date is included in the remuneration tables above.

Fair values at grant date were independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No options have been granted or vested during the half year to any directors or key management personnel.

No ordinary shares have been issued as a result of exercise of share options by directors or key management personnel during the half year.

Option holdings

The numbers of options over ordinary shares in the Company held during the financial half year by each director of Ellect Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Name	Balance of options at the start of the half year or date of appointment	Balance of options at the end of the half year or date of resignation	Vested and exercisable at 31 December
2008			
Director			
Mr WJ McLeland	2,040,000	2,040,000	2,040,000 ¹
2007			
Directors			
Mr WJ McLeland	2,040,000	2,040,000	2,040,000
Mr F Carbonez (resigned 1 November 2007)	320,000	320,000 ²	320,000
Key Management			
Mr P Marx (resigned 18 July 2007)	250,000	250,000 ³	250,000

¹ Mr McLeland, is a director of:

- 1) Eclectic Investments Trust plc which directly held 800,000 options each to acquire one ordinary fully paid Share for an exercise price of \$0.80 cents and expiring 5 January 2010; and
- 2) Utilico Limited which directly held 1,240,000 options each to acquire one ordinary fully paid Share for an exercise price of \$0.80 cents and expiring 5 January 2010.

² Options each to acquire one ordinary fully paid Share for an exercise price of \$0.80 cents and expiring 5 January 2010.

³ Options each to acquire one ordinary fully paid Share for an exercise price of \$0.80 cents and expiring 31 December 2009.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

9. Key Management Personnel Disclosures (continued)

Share holdings

The numbers of shares in the Company held during the financial half year by each director of Ellect Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance of shares at the start of the half year or date of appointment	Balance of shares at the end of the half year or date of resignation
2008		
Directors		
Mr WJ McLeland	7,129,193	7,129,193 ⁴
2007		
Directors		
Mr WJ McLeland	7,129,193	7,129,193
Mr F Carbonez (resigned 1 November 2007)	553,889	553,889
Key Management		
Mr S Joris (resigned 28 September 2007)	150,000	150,000

⁴ In addition to 150,000 pre-consolidation shares held indirectly by Mr McLeland, he is also a director of Utilico Limited which directly held 6,979,193 pre-consolidation shares.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

10. Controlled Entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2008	2007
			%	%
Ellect Holdings Limited	Australia			
Controlled by Ellect Holdings Limited				
Intellect Australia Pty Ltd.	Australia	Ord	100%	100%
Intellect Overseas Pty Ltd.	Australia	Ord	100%	100%
Techway Pty Ltd.	Australia	Ord	100%	100%
Intellect International NV	Belgium	Ord	99%	99%
Intellect Asia Limited	Hong Kong	Ord	100%	100%
Controlled by Intellect Overseas Limited				
Intellect International NV	Belgium	Ord	1%	1%
Intellect Inc.	USA	Ord	100%	100%
Intellect Europe Limited	UK	Ord	100%	100%
Controlled by Intellect Australia Pty Ltd				
E.C.I. European Community Intellect BV	Netherlands	Ord	100%	100%
Controlled by Intellect International NV				
Intellect Technologies Pty Ltd.	Australia	Ord	100%	100%
Intellect Brasil Ltda.	Brazil	Ord	100%	100%

11. Dividends

No dividends were paid by the Company during the six months to 31 December 2008.

12. Contingencies

There have been no material changes to contingencies since those disclosed in the 30 June 2008 Annual Report.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Subsequent events

Except for the following, there has not arisen in the interval between the end of the half year and the date of this review report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

Since 31 December 2008 the Deed of Company Arrangement Proposal (**DOCA**) was agreed by members and implemented. The key terms of the DOCA are:

1. The assets of Ellect Holdings Limited, including Ellect Holdings Limited's shareholdings in Touch Holdings Limited (formerly TAFMO Limited) and Intellect International NV, are to be sold to an entity to be owned by the secured creditors (**New Co**) for a total consideration of \$22 million.
2. The intellectual property held by Intellect Australia Pty Ltd is to be acquired by New Co.
3. New Co will pay consideration for Ellect Holdings Limited's assets and Intellect Australia Pty Ltd's intellectual property as follows:
 - a. by assuming a \$2 million liability in respect of 8 million Touch Holdings Limited (formerly TAFMO Limited) shares;
 - b. by payment in cash of \$1.8 million;
4. by offsetting the balance of the consideration of \$18.2 million against part of the debt outstanding to the current secured creditors.
5. The cash consideration is to be applied by way of part satisfaction of the secured loan. \$300,000 shall be applied towards the cost of the administration. \$1,500,000 shall be distributed to the secured creditors.
6. Approximately \$4.16 million of the existing secured creditors debt will convert to be (interest free) secured convertible notes in Ellect Holdings Limited.
7. The secured creditors are to be issued 500,000,000 shares in Ellect Holdings Limited in settlement of the remaining debt (approximately \$10 million).
8. Related party creditors will not participate/prove in the DOCA.
9. Non related unsecured creditors of both Ellect Holdings Limited and Intellect Australia Pty Ltd are to be issued shares in Ellect Holdings Limited. They participate equally based on the proposed ratio of 30 shares for every dollar of proven debt/admitted claim.
10. The maximum number of shares to be issued to all admitted unsecured creditors of Intellect Australia Pty Ltd shall be limited to 20,682,360.
11. The maximum number of shares available to be issued to all admitted unsecured creditors of Ellect Holdings Limited shall be limited to 64,317,640.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Subsequent events (continued)

12. Existing Intellect Australia Pty Ltd employee accrued entitlements shall be paid in the ordinary course by way of New Co assuming the obligation for their entitlements.
13. The Administrators will be the Deed Administrators.
14. The Directors will resume control of Ellect Holdings Limited and Intellect Australia Pty Ltd during the Deed Administration period.
15. The implementation of the proposal is conditional on a number of conditions precedent including necessary regulatory and shareholder approvals.
16. Subject to an extension authorised by the Administrator, if all conditions precedent of the DOCA are not met by 28 February 2009 it will terminate and Ellect Holdings Limited and Intellect Australia Pty Ltd will proceed into liquidation.

An extraordinary general meeting of Ellect Holdings Limited's members was held on 15 January 2009 (**Meeting**).

The purpose of the Meeting was to consider resolutions enabling Ellect Holdings Limited to:

1. issue up to 585,000,000 ordinary fully paid shares to creditors;
2. issue up to 4,156,465 notes to secured creditors;
3. dispose of its main undertaking to 'New Co', a company to be owned by secured creditors on implementation of the proposal;
4. consolidate its ordinary fully paid shares, whereby every 100 ordinary fully paid shares would be consolidated into 1 ordinary fully paid share; and
5. change its name to from Intellect Holdings Limited to Ellect Holdings Limited.

The DOCA contained the proposal comprising Ellect Holdings Limited:

1. transferring its and Intellect Australia Pty Ltd's key assets to 'New Co', a company to be owned by the secured creditors on implementation of the proposal;
2. continuing as a company listed on the ASX, without its key assets;
3. issuing ordinary fully paid shares to creditors which will result in them acquiring approximately 91% of the Ellect Holdings Limited's ordinary fully paid shares, with existing shareholders' interests in Ellect Holdings Limited diluted to approximately 9% of Ellect Holdings Limited's ordinary fully paid shares;
4. issuing approximately 4.16 million notes to secured creditors which, if fully converted, would dilute existing shareholders interests in Ellect Holdings Limited to approximately 7% of Ellect Holdings Limited's ordinary fully paid shares; and
5. obtaining a release of pre-administration debt, except as provided in the DOCA.

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. Subsequent events (continued)

The implication for Ellect Holdings Limited shareholders, if the proposal is implemented, was that the key assets of Ellect Holdings Limited will be transferred to an entity to be owned by secured creditors and existing shareholders' interests in the then asset-less Ellect Holdings Limited will be substantially diluted.

On 30 January 2009, ASIC changed the name from Intellect Holdings Limited to Ellect Holdings Limited.

During the period from 15 January 2009 to 28 April 2009:

1. Key Ellect Holdings Limited assets were transferred to New Co; and
2. De-registration of a lien held by a former employee (Mr Thomas Ream) over shares held by Ellect Holdings Limited in Intellect International NV (a wholly owned subsidiary) was approved by a Belgian Court.

On 28 April 2009, the Administrators made application for the issue to creditors of 560,667,245 pre-consolidation ordinary fully paid shares and 4,156,165 pre-consolidation notes. These ordinary fully paid shares and notes were allotted and issued to creditors on 28 April 2009 and 5 May 2009 respectively.

On 5 May 2009, Ellect Holdings Limited's ordinary fully paid shares and notes were consolidated into 1 for every 100. Post-consolidation ordinary fully paid shares total 6,186,070. Post-consolidation notes total 41,569.

Ellect Holdings Limited remains suspended by the ASX.

The DOCA was finalised by 17 August 2010, when the Administrators resigned as DOCA Administrators.

Based on recent market transactions, the Administrator's sale campaign and the alternative indicative DOCA (deed of company arrangement) proposals received by the Administrator, the shell of a listed public company may be valued between \$500,000 and \$1 million. However, recent regulatory developments and market changes may cause a decrease in the market value of such a shell.

In connection with re-organisation of the Consolidated Entity, certain inter-company and third party debts have been released. Terms of the release include:

1. Releasing debt by Ellect Holdings Limited (effective from the date of a creditor deed) in favour of the respective Group company, and the mutual release from all claims and liabilities in connection with the debt being released;
2. Releasing debt by the respective Group company (effective from the date of a creditor deed) in favour of the Company, and the mutual release from all claims and liabilities in connection with the debt being released;
3. Excepting a remaining loan totalling \$200,000, all inter-company debts have been released;

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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Notes to the Condensed Consolidated Interim Financial Statements (continued)

4. The \$200,000 remaining loan is not recoverable from the Ellect Holdings Limited with the present financing arrangements but in the event that any investment is made by third parties in Ellect Holdings Limited leaving remnant funds owing to the lender's related parties, then the \$200,000 remaining loan will leave a mechanism to recoup these funds; and
5. The Convertible Notes outstanding at 30 June 2010 matured 5 May 2011. At a meeting of Convertible Note holders held 10 October 2011, the Note holders resolved to assent to the term of their Convertible Notes being extended by 2 years to 5 May 2013 (by means of a formal amendment by the Security Trustee, by agreement with the Company, of the Amended and restated Convertible Note Issue Trust Deed, to take effect from 1 April 2011).

Ellect Holdings Limited (formerly Intellect Holdings Limited)
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DIRECTORS' DECLARATION

In the opinion of the directors of Ellect Holdings Limited ("the Company"):

1. the financial statements and notes set out in pages 8 to 25, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 and its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
 - (b) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

A handwritten signature in dark ink, appearing to read 'WJ McLeland', is written over a light blue horizontal line.

WJ McLeland

Chairman

Sydney

21st October 2011

Independent auditor's review report

To the members of Ellect Holdings Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Ellect Holdings Limited, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity and condensed cash flows statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year ended 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 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 it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports 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 2008 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 Ellect Holdings Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

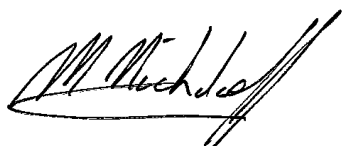
Independence

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

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 Ellect Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*



Mark Nicholaeff

Partner

Signed at Sydney on 21 October 2011



UHY Haines Norton

Chartered Accountants