Entellect Solutions Limited
Results, Appendix 4D & Financial Report for the Half year ended 31 December 2010

ENTELLECT SOLUTIONS LTD and Controlled Entities

ABN 41 009 221 783

for the half-year ended 31 December 2010

CONTENTS

ASX Announcement

HALF YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2010

Name of Entity	Entellect Solutions Limited
Australian Business Number	41 009 221 783
Report for Half Year Ended:	31 December 2010
Previous responding Financial Year ended:	30 June 2010
And Half Year Ended:	31 December 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues from ordinary activities *(item 2.1)*	up 100% to	$0
Net loss from ordinary activities after tax attributable to members	down 81% to	$449,262
Profit (loss) from ordinary activities after tax attributable to members (item 2.2)	down 81% to	$449,262
Net profit (loss) for the period attributable to members (item 2.3)	down 81% to	$449,262

Dividends (distributions) *(item 2.4)*	Amount per security	Franked amount per security
Final dividend Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends *(item 2.5)*	N/A	

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

Entellect Solutions' zero revenue for the half-year ended 31 December 2010 was as expected and resulted from the Company's operating subsidiary MXL Limited being placed in voluntary administration in April 2010 as stated in the Annual Report for June 2010.

There was no gain or loss of control over any entities during the half-year ended 31 December 2010.

The Company's net loss from ordinary activities of $635,686 for the half-year ended 31 December 2010 is 73% lower than the prior half-year loss of $2,399,959. The expenses attributable to the loss include ongoing corporate costs and settlement of prior period amounts that were previously in dispute. As such the Company is now well placed to execute its business development objectives.

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

Net Tangible asset per security

	2010	2009
Net tangible asset backing per security	(0.01) cents	(0.01) cents

The attached interim financial report for the half-year ended 31 December 2010 has been subject to review by the company's independent auditor and an unqualified review report has been issued.

Please refer to the 31 December 2010 Interim Financial Report signed on 25 February 2011.

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2010.

Financial Report for the Half Year Ended 31 December 2010

DIRECTORS' REPORT

Your directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2010.

DIRECTORS

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

Andrew Plympton	Non-Executive Chairman, **Appointed 26 August 2010**
James Kellett	Executive Director, Chief Executive Officer **Appointed Executive Director on 26 August 2010 and appointed Chief Executive Officer on 3 December 2010**
Jeffrey Bennett	Non-Executive Director **Appointed 19 March 2008**
Conrad Crisafulli	Non-Executive Director **Appointed 6 August 2008; Resigned 19 January 2011**
Paul Devine	Non-Executive Director **Appointed 1 May 2008; Resigned 19 August 2010**
Paul Lowry	Non-Executive Director **Appointed 14 October 2008; Resigned 19 August 2010**

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

REVIEW OF OPERATIONS

The six months to 31 December 2010 were largely spent dealing with the many issues that arose after the Company's main operating subsidiary was placed in voluntary administration in April 2010. This event and resulting issues were reported in detail as Subsequent Events in the Company's 2010 Annual Report and as ASX announcements where appropriate. A further summary is again provided in this report.

In August 2010, the Company proposed an off-market takeover offer for 100% of Yilgarn Infrastructure Ltd and a pre bid agreement relating to the Proposed Takeover Offer was entered into. A condition precedent in the Pre Bid Agreement was that the Company had to complete a placement of 50 million fully paid ordinary shares in ESN to Yilgarn at an issue price of $0.001 per Takeover Placement Share by 31 July 2010.

After the execution of the Pre Bid Agreement but prior to the announcement of the Proposed Takeover Offer, Mooter Media Limited ("**Mooter**") announced an unsolicited proposed takeover offer for the Company. As a result of the Mooter Takeover Offer, the Company was no longer able to issue the Takeover Placement Shares without shareholder approval.

The Directors considered that obtaining shareholder approval would result in a delay in the Company's receipt of funds and would potentially entail a material adverse effect on the Company's financial position and capacity to remain solvent. On the basis this Condition Precedent was not satisfied, the Pre Bid Agreement was mutually terminated by the Company and Yilgarn.

Under the terms of the Mooter Takeover Offer, Mooter offered, for every 40 shares owned by an ESN shareholder, 2 Mooter shares, 1 option to acquire 1 Mooter share at an exercise price of $0.015, and 1 option to acquire 1 Mooter share at an exercise price of $0.05.

In October 2010 your Directors recommended Shareholders accept the Mooter Takeover Offer for a number of reasons, including the fact that ESN's shares would remain suspended until the Company was able to comply with Chapters 1 and 2 of the ASX Listing Rules. The Directors anticipated that a successful Mooter Takeover Offer would enable the Company to obtain assistance from Mooter to seek reinstatement of ESN shares on the ASX. In addition, the Directors noted that the Company was unable at the time to raise capital or debt funding and that, ESN shareholders faced the risk of their shares in the Company having no residual value should the Company become insolvent. The Directors also noted that there were no competing offers, and that the Mooter Takeover Offer would enable ESN shareholders to realise value from their ESN shares, which were otherwise illiquid assets and would assist ESN in the further development of its novel and proprietary software and applications for education.

On 18 October 2010, the Company entered into a loan agreement with Furneaux Equity Limited under which the Company is provided with a 180 day loan facility of $4,150,000 ("**Loan Agreement**"), subject to mutual agreement by the parties.

The Mooter Takeover Offer closed on 30 November 2010, with 70.08% acceptance, and Mooter has allotted the shares and options to ESN shareholders who accepted the offer and an application for listing of the shares on the ASX was made by Mooter on 3 December 2010.

Subsequent to the distribution of the ESN shares on 10 February 2011, and subject to shareholder approval at the Company's Annual General Meeting to be held on 28 February 2010, the Company is proposing a consolidation of its capital on the basis of every 20 fully paid ordinary shares being consolidated into 1 fully paid ordinary share. The Company additionally intends to consolidate the number of options on issue on a similar 1 for 20 basis.

The Company has also announced its intention to raise capital via a pro rata rights issue and a Prospectus for a fully underwritten offer will be issued after the Annual General Meeting subject to shareholders approving certain resolutions at the meeting.

OUTLOOK

In January 2011, the Company announced a joint venture collaboration with Mooter and Hot Shot Media (Singapore) Ltd (Hot Shot).

The collaboration will be administered through a Singapore registered entity, Knowledge Nation Joint Venture Pte Ltd (KNJV).The equity holders in KNJV are Entellect: 60%, Mooter: 20% and Hot Shot: 20%. KNJV will develop, market, and implement the co-venturers' unique suite of interactive educational games, learning initiatives and educational derivatives.

KNJV has acquired 100% of Knowledge Nation Inc, a US incorporated and San Franciscan based educational games and learning initiator (KNI). KNI will be the major development arm of the joint venture.

KNJV's commercial strategy is to design a suite of educational multimedia games and homework adjuncts for school children. These products will be globally deployed, and will be regionally and culturally adjusted to suit local conditions. Leveraging upon exclusive rights to the body of works and ongoing services of internationally renowned games developer, Professor Paul Fullwood and immensely experienced Studio Head, Mr Robin Matthews, KNJV has access to an unrivalled body of knowledge, techniques and approaches to game design and marketing.

KNJV possesses core technology and innovative licensing and workflow approaches in all key areas associated with educational software product development. The intellectual property and body of knowledge is rooted firmly in the company's subsidiary KNI and not reliant on licensing beyond normal proprietary tool use.

While much of the last 6 months has been taken up with finalising issues from the past while simultaneously developing the Company's business, it is the Directors' highest priority to achieve re-quotation of the Company's shares on the ASX and provide working capital to the Company to achieve its full potential under the joint venture.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the half-year ended 31 December 2010, which forms part of this report.

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

Andrew Plympton
Chairman
25 February 2011

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Auditor's Independence Declaration
To the Directors of Entellect Solutions Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Entellect Solutions Limited for the period ended 31 December 2010, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Director - Audit & Assurance

Sydney, 25 February 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Consolidated Group	
		31.12.2010	31.12.2009
Revenue		-	-
Other revenue		70	-
		70	-
Employee benefits expense		(42,495)	-
Directors fees		(36,500)	-
Corporate expenses		(39,595)	(544,465)
Professional expenses		(320,277)	-
Depreciation and amortisation expense		(151)	-
Impairment of property, plant and equipment		-	-
Borrowing costs		(5,637)	-
Other expenses		(4,677)	-
(Loss) before income tax		(449,262)	(544,465)
Income tax expense		-	-
(Loss) from continuing operations		(449,262)	(544,465)
(Loss) from discontinued operations		-	(1,854,910)
(Loss) for the period	2	(449,262)	(2,399,375)
Other comprehensive income			
Exchange difference on translation of foreign operations		-	(584)
Total comprehensive income for the period		(449,262)	(2,399,959)
(Loss) attributable to:			
— members of the parent entity		(449,262)	(2,399,344)
— non-controlling interest		-	(31)
		(449,262)	(2,399,375)
Total comprehensive income attributable to:			
— members of the parent entity		(449,262)	(2,399,344)
— non-controlling interest		-	(31)
		(449,262)	(2,399,375)
Earnings per share			
From continuing and discontinued operations:			
— Basic and diluted earnings per share (cents)		(0.03)	(0.13)
From continuing operations:			
— Basic and diluted earnings per share (cents)		(0.03)	-
From discontinued operations:			
— Basic and diluted earnings per share (cents)		-	(0.1)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Consolidated Entity	
	31.12.2010	30.06.2010
	$	$
ASSETS		
Current Assets		
Cash and cash equivalents	**233,924**	45,051
Trade and other receivables	**66,328**	-
Total Current Assets	**300,252**	45,051
Non-current Assets		
Property, plant and equipment	**15,137**	-
Total Non-current Assets	**15,137**	-
TOTAL ASSETS	**315,389**	45,051
LIABILITIES		
Current Liabilities		
Trade and other payables	**254,267**	192,063
Short-term borrowings	**857,396**	200,000
Total Current Liabilities	**1,111,663**	392,063
TOTAL LIABILITIES	**1,111,663**	392,063
NET ASSETS	**(796,274)**	(347,012)
EQUITY		
Issued capital	**61,872,013**	61,872,013
Reserves	**975,260**	970,966
Accumulated losses	**(63,643,547)**	(63,011,864)
Parent entity interest	**(796,274)**	(168,885)
Non-controlling interest	**-**	(178,127)
TOTAL SHAREHOLDERS (DEFICIENCY)	**(796,274)**	(347,012)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non-controlling Interests	Total
Balance at 1.7.2009	60,573,447	(58,765,967)	(14,294)	688,868	(184,260)	2,297,794
Total comprehensive income	-	(2,399,344)	(584)	-	(31)	(2,399.959)
Transactions with owners in their capacity as owners:						
Shares issued	1,366,607	-	-	-	-	1,366,607
Transaction costs on shares issued	(80,040)	-	-	-	-	(80,040)
Recognition of option expense	-	-	-	388,763	-	388,763
Balance at 31.12.2009	61,860,014	(61,165,311)	(14,878)	1,077,631	(184,291)	1,573,165
Balance at 1.7.2010	61,872,013	(63,011,864)	(14, 294)	985,260	(178,127)	(347,012)
Total comprehensive income	-	(449,262)	-	-	-	(449,262)
Transactions with owners in their capacity as owners:						
Transferred to retained earnings	-	(182,421)	14,294	(10,000)	178,127	-
Balance at 31.12.2010	61,872,013	(63,643,547)	-	975,260	-	(796,274)

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Entity	
	31.12.2010 $	31.12.2009 $
Cash flows from operating activities		
Receipts from customers	**-**	2,009,290
Payments to suppliers and employees	**(447,668)**	(3,413,604)
Interest received	**70**	9,188
Finance costs	**(5,637)**	(7,689)
Net cash used in operating activities	**(453,235)**	(1,402,815)
Cash flows from investing activities		
Payment for plant and equipment	**(15,288)**	(4,397)
Payment for acquired software	**-**	(78,223)
Net cash used in investing activities	**(15,288)**	(82,620)
Cash flows from financing activities		
Proceeds from issue of shares	**-**	1,366,606
Payment for share issue costs	**-**	(80,040)
Proceeds from borrowings	**657,396**	-
Repayment of borrowings	**-**	(6,422)
Net cash provided by financing activities	**657,396**	1,280,144
Net increase/(decrease) in cash held	**188,873**	(205,291)
Cash at the beginning of the period	**45,051**	917,830
Cash at the end of the period	**233,924**	712,539

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Entellect Solutions Ltd and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year.

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 half-year report does not include full disclosures of the type normally included in an annual financial report.

Going Concern

Notwithstanding the loss for the period of $449,262 (for the period ended 31 December 2009: $2,399,959) and net cash outflows used in operations of $453,235 (for the period ended 31 December 2009: $1,402,815), 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 software and applications for education and educational games, its software development collaboration with Mooter Media Limited, and the continued access to the facility provided to it by Furneaux Equity Limited, will provide sufficient funds to meet the ongoing capital requirements of the Group for the foreseeable future.

In addition, the Company is currently preparing to undertake a fully underwritten rights issue from which $3.5million will be raised.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2: Segment Reporting

Primary Reporting – Business Segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Following the annual report ended 30 June 2010, the operating segment has now been consolidated into one segment – Educational Software. Despite having two segments in the prior year, the board acknowledges that there were no significant differences between the two prior segments and have simplified the reporting requirements to one segment.

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;
- the type or class of customer for the products or service.

Segment Performance

	Six months ended 31 December 2010		Six months ended 31 December 2009	
	Educational Software	Consolidated	Educational Software	Consolidated
	$	$	$	$
Segment Revenue				
From continuing operations	-	-	-	-
External Sales	-	-	-	-
Total segment revenue	-	-	-	-
Segment net (loss) before tax	-	(449,262)	-	(2,399,375)
Reconciliation of segment result to group net profit				
Unallocated items	-	-	-	(1,854,910)
Corporate costs	-	(449,262)	-	(544,465)
Group net (loss) before tax	-	(449,262)	-	(2,399,959)

	Six months ended 31 December 2010		Six months ended 30 June 2010	
	Educational Software	Consolidated	Educational Software	Consolidated
	$	$	$	$
Segment assets				
Reconciliation of segment assets to group assets				
Corporate assets	-	315,389	-	45,051
Total Group Assets	-	315,389	-	45,051
Segment Liabilities				
Corporate liabilities	-	1,111,063	-	392,063
Total Group Liabilities	-	1,111,063	-	392,063

NOTE 3: Discontinued Operations

The financial performance of the discontinued entities for the year ended 31 December 2010 which is included in the loss from discontinued operations per the statement of comprehensive income is as follows:	Six months ended 31 December 2010	Six months ended 31 December 2009
Revenue	-	1,561,603
Expenses	-	(3,961,562)
(Loss)/profit before income tax	-	(2,399,959)
Income tax expense	-	-
(Loss)/profit for the year	-	(2,399,959)

The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:

Net cash outflow from operating activities	-	(1,402,815)
Net cash outflow from investing activities	-	(82,620)
Net cash inflow from financing activities	-	1,280,144
Net cash increase in cash generated by the discontinued entities	-	(205,291)

NOTE 4: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date. Any outstanding liabilities in relation to the employee dispute has been fully paid out and settled.

NOTE 5: Events Subsequent to Balance Date

Since the end of the period, except for the matters noted below, there have been no events that would have a material impact on the interim financial report.

On the 7th of January 2011, Entellect Solutions Limited entered into a Heads of Agreement to establish a new operating joint venture with Mooter Media Ltd and Hot Shots Media Ltd. Entellect Solutions Limited will hold 60% of this joint venture that will develop educational games and software.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The interim financial report for the half-year ended 31 December 2010, as set out on pages 9 to 16 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 2010 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 or Directors.

Andrew Plympton
Chairman
25 February 2011

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

We have reviewed the accompanying half-year financial report of Entellect Solutions Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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 Solutions 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 Solutions 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 2010 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Director - Audit & Assurance

Sydney, 25 February 2011