



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

**ASX APPENDIX 4D - FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**Lodged with ASX under Listing Rule 4.2A  
This information should be read in conjunction with 30 June 2013  
Annual Report**



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

**31 DECEMBER 2013**

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## Entellec Limited

### Appendix 4D

#### HALF-YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2013

Name of Entity	Entellec Limited
Australian Business Number	41 009 221 783
Report for Half Year Ended:	31 December 2013
Previous corresponding Financial Year ended:	30 June 2013
And Half Year Ended:	31 December 2012

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities	up	14.8	to	1,306
Loss from ordinary activities after tax attributable to members	up	11.2	to	938,508
Net loss for the period attributable to members (before non-controlling interest)	up	10.6	to	953,572

#### 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 2013 was \$1,306, an increase of 14.8% over the previous corresponding period (2012: \$1,138).

The net loss from ordinary activities after tax attributable to members was \$938,508, an increase of 11.2% over the previous corresponding period (2012: net loss \$844,210) mainly attributable to a decrease in employee benefits cost and being offset by a reduced minority interest.

Net tangible asset backing per ordinary share at 31 December 2013 was (0.07) cents (30 June 2013: (0.04) cents). There was no gain or loss of control over any entities during the half-year ended 31 December 2013. The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

Additional Appendix 4D disclosures can be found in the attached Directors' Report and the 31 December 2013 half-year financial statements.

This report is based on the consolidated 2013 half-year financial statements which have been reviewed by the Company's auditor with the Independent Auditor's Report included in the 31 December 2013 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 2013.

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Your Directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2013.

### DIRECTORS

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

<b>Andrew Plympton</b>	Non-Executive Chairman
<b>James Kellett</b>	Executive Director, Chief Executive Officer
<b>Jeffrey Bennett</b>	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

#### KNeoWORLD

During the period, as part of a new branding strategy, the Company's subsidiaries changed their names to KNeoWORLD Pty Ltd in Australia and KNeoWORLD Inc. in the USA, to align with Entellect's main product portals [www.KNeoWORLD.com](http://www.KNeoWORLD.com) and [PTA.KNeoWORLD.com](http://PTA.KNeoWORLD.com).

In July 2013, the Company released an upgraded version of its online educational games portal, [www.KNeoWORLD.com](http://www.KNeoWORLD.com) (**Portal**). The release contained a major update of content and player interaction, which resulted in a greater take up and registration participation levels. In October 2013, Entellect's KNeoWORLD Education by Entertainment Games Portal App (the **App**), which enables mobile access to the Portal, was approved by Apple iTunes. The App is presently available globally through iTunes stores.

In November 2013, the Portal was awarded the Parent Tested Parent Approved Winner's Seal of Approval.

#### USA PTA national sales initiative

To coincide with the new release of KNeoWORLD, in July 2013 the Company launched its USA Parent Teacher Association (**PTA**) fund raising initiative, [PTA.KNeoWORLD.com](http://PTA.KNeoWORLD.com), timed for the US summer commencement of the new scholastic year. The PTA sales initiative is a collaboration with the USA National PTA organisation which the Company expects will assist access to at least 50,000 elementary and middle schools and 23 million students in the target market. The program is being run as a PTA fund raising initiative with a royalty paid to the individual school PTA for each subscription taken out by parents for their children. The Company has commenced receiving revenue from KNeoWORLD subscriptions through the PTA channel. Although at low initial levels, the subscriptions suggest that a conversion trend has been established in the execution of the PTA sales initiative across the USA.

#### Funding

During the reporting period, Entellect continued to raise funds from existing and new shareholders through placements of shares to fund its working capital requirements.

At the Company's 2013 annual general meeting, shareholders approved the issue of 20 convertible notes, with an aggregate face value of \$500,000, and 500 million free attaching options to sophisticated investors. In December 2013, following shareholder approval, Entellect issued a total of 23 convertible notes (with a total face value of \$575,000) and 575 million attaching options, each with an exercise

price of \$0.001. The Company continues to receive revenue from the exercise of the attaching options by option holders.

The Board is aware that the Company's cash reserves are limited relative to the Company's current operating expenses. During the period, Company's expenses included a number of extraordinary items such as financing expenses in raising additional capital and further market development activities and contract software development for the KNeoWORLD Games Portal to expand the KNeoWORLD sales initiative to the USA PTA nationally. The costs associated with the additional financing, marketing and development activities are expected to diminish going forward.

	<b>Consolidated 31 Dec 2013</b>	Consolidated 31 Dec 2012
<b>Earnings per share</b>		
Basic earnings/(loss) per share (cents)	<b>(0.06)</b>	(0.09)
Diluted earnings/(loss) per share (cents)	<b>(0.06)</b>	(0.09)

### **Financial position**

The consolidated entity had net liabilities of \$1,491,345 as at 31 December 2013 (30 June 2013: net liabilities \$1,101,249).

### **Cash flows**

During the six months to 31 December 2013, the consolidated entity incurred net operating cash outflows of \$797,476 (2012: \$935,112). The consolidated entity had cash of \$270,987 at 31 December 2013 (30 June 2013: \$117,037).

### **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**

### **Operational**

The Company continues to execute its business plan in relation to the KNeoWORLD Games Portal and the Board believes it can secure sufficient funding to continue its KNeoWORLD sales initiative to the PTA nationally which is now expected to generate revenue at an increasing rate.

Subsequent to the reporting period, Entellect appointed Ms Marti Miernik as Chief Operating Officer. Ms Miernik brings to Entellect over seventeen years in the communications field and ten in gaming alone. Mr Miernik's mandate is to leverage her experience to help commercialise Entellect's KNeoWORLD Educational Games Portal and iTunes and Android Apps. Part of the commercialisation process includes upgrading the front end appearance of the site and provide easier navigation. This will enable easier access to the substantial library of games and activities. New games will also be added to the library.

The result of this work will be evidenced in the imminent release of a more user friendly front end to Entellect's award winning educational games portal [www.KNeoWORLD.com](http://www.KNeoWORLD.com). Coinciding with this release, the Company will embark on substantially increased marketing activities including social media, direct marketing, PR and greater presence on major US parent blogger sites.

Entellect is confident that these initiatives spearheaded by Ms Miernik will enable the ramping up of sales to both the PTA and the large consumer base which until now has been played under a freemium model. The Directors look forward to utilising her skills in the further development of KNeoWORLD and Entellect's continued roll out through the US PTA network and other markets.

**Unmarketable share parcel reduction program**

Entellect continues to progress its preparations to undertake an unmarketable share parcel reduction program, which is aimed at reducing the number of shareholders of Entellect and the associated administrative costs. The Company will provide an update and further details of this program to shareholders once Entellect is in a position to commence the program.

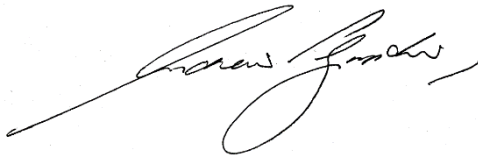
**ADR Level 1 Program**

The Company is in the progress of preparing to undertake its previously announced ADR program; initially this ADR program will be a level 1 program providing US investors with investment access but not access to new issues. The Company has engaged Mr. Barry Driscoll of Oxford Capital, an expert in Australian issuer ADR Programs, who is presently undertaking pricing in order to progress this program.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration under section 307C of the *Corporations Act* 2001 is set out on page 7 for the half-year ended 31 December 2013, which forms part of this report.

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



Chairman  
28 February 2014

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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 2013, 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 2014

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**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Sales revenue	<b>1,306</b>	1,138
Other income	<b>171</b>	8,177
	<b>1,477</b>	9,315
Employee benefits expense	<b>(281,273)</b>	(469,328)
Corporate & Professional expenses	<b>(186,122)</b>	(196,543)
Depreciation and amortisation expense	<b>(11,892)</b>	(24,467)
Other expenses	<b>(432,880)</b>	(430,482)
Finance costs	<b>(112,455)</b>	(21,606)
Loss on movement in fair value of embedded derivatives option	<b>(4,278)</b>	-
<b>Loss before income tax</b>	<b>(1,027,423)</b>	(1,133,111)
Income tax expense	-	-
<b>Loss for the period</b>	<b>(1,027,423)</b>	(1,133,111)
<b>Other comprehensive (loss) / income</b>		
<b>Items that will be classified subsequently to profit or loss:</b>		
Exchange difference on translation of foreign operations (net of tax)	<b>(18,830)</b>	(28,103)
<b>Total comprehensive loss for the period</b>	<b>(1,046,253)</b>	(1,161,214)
Loss attributable to:		
-members of the parent entity	<b>(938,508)</b>	(844,210)
-non-controlling interest	<b>(88,915)</b>	(288,901)
	<b>(1,027,423)</b>	(1,133,111)
Total comprehensive loss attributable to:		
-members of the parent entity	<b>(953,572)</b>	(862,142)
-non-controlling interest	<b>(92,681)</b>	(299,072)
	<b>(1,046,253)</b>	(1,161,214)
<b>Earnings per share</b>		
-Basic earnings per share (cents)	<b>(0.06)</b>	(0.09)
-Diluted earnings per share (cents)	<b>(0.06)</b>	(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 2013**

	Consolidated	
	31 Dec 2013 \$	30 Jun 2013 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	270,987	117,037
Trade and other receivables	32,926	17,166
Other assets	99,048	41,127
<b>Total Current Assets</b>	<b>402,961</b>	<b>175,330</b>
<b>Non-current Assets</b>		
Property, plant and equipment	26,828	29,288
Intangible assets	2,405	7,093
<b>Total Non-current Assets</b>	<b>29,233</b>	<b>36,381</b>
<b>Total Assets</b>	<b>432,194</b>	<b>211,711</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Trade and other payables	385,881	297,312
Financial liabilities	1,537,658	1,015,648
<b>Total Current Liabilities</b>	<b>1,923,539</b>	<b>1,312,960</b>
<b>Total Liabilities</b>	<b>1,923,539</b>	<b>1,312,960</b>
<b>Net Liabilities</b>	<b>(1,491,345)</b>	<b>(1,101,249)</b>
<b>Equity</b>		
Issued capital	67,168,756	66,563,756
Reserves	(58,970)	(95,063)
Accumulated losses	(67,925,589)	(66,987,081)
<b>Parent Entity Interest</b>	<b>(815,803)</b>	<b>(518,388)</b>
<b>Non-controlling Interest</b>	<b>(675,542)</b>	<b>(582,861)</b>
<b>Total Equity</b>	<b>(1,491,345)</b>	<b>(1,101,249)</b>

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 2013**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Reserve	Non- controlling Interests	Total
<b>Balance at 1.7.2013</b>	<b>66,563,756</b>	<b>(66,987,081)</b>	<b>(95,063)</b>	-	<b>(582,861)</b>	<b>(1,101,249)</b>
Net loss for the period	-	<b>(938,508)</b>	-	-	<b>(88,915)</b>	<b>(1,027,423)</b>
Other comprehensive loss for the period	-	-	<b>(15,064)</b>	-	<b>(3,766)</b>	<b>(18,830)</b>
<b>Total Comprehensive Income</b>	-	<b>(938,508)</b>	<b>(15,064)</b>	-	<b>(92,681)</b>	<b>(1,046,253)</b>
Transactions with owners in their capacity as owners:						
Shares issued	<b>375,000</b>	-	-	-	-	<b>375,000</b>
Conversion of Convertible notes to share	<b>100,000</b>	-	-	-	-	<b>100,000</b>
Exercise of listed options	<b>150,000</b>	-	-	-	-	<b>150,000</b>
Transaction costs on shares issued	<b>(20,000)</b>	-	-	-	-	<b>(20,000)</b>
Equity component of Convertible notes	-	-	-	<b>51,157</b>	-	<b>51,157</b>
<b>Balance at 31.12.2013</b>	<b>67,168,756</b>	<b>(67,925,589)</b>	<b>(110,127)</b>	<b>51,157</b>	<b>(675,542)</b>	<b>(1,491,345)</b>
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

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 2013**

	Consolidated Entity	
	31 Dec 2013	31 Dec 2012
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,437	8,833
Payments to suppliers and employees	(755,517)	(923,624)
Interest received	171	1,285
Finance costs	(43,567)	(21,606)
<b>Net cash used in operating activities</b>	<b>(797,476)</b>	<b>(935,112)</b>
<b>Cash flows from investing activities</b>		
Payment for plant and equipment	(4,833)	(1,633)
<b>Net cash used in investing activities</b>	<b>(4,833)</b>	<b>(1,633)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	345,000	289,570
Payment for share issue costs	(20,000)	(48,413)
Exercise of listed options	150,000	-
Proceeds from convertible notes	500,000	455,458
<b>Net cash provided by financing activities</b>	<b>975,000</b>	<b>696,615</b>
<b>Net increase/(decrease) in cash held</b>	<b>172,691</b>	<b>(240,130)</b>
Cash at the beginning of the period	117,037	419,255
Effects of exchange rate changes on cash and cash equivalents	(18,741)	(25,936)
<b>Cash at the end of the period</b>	<b>270,987</b>	<b>153,189</b>

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 2013

#### 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 2013 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 2013 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 2014.

##### (b) New and amended accounting standards and interpretations

The accounting policies and methods of computation in the preparation of the half year report are consistent with those of the most recent annual financial report, except for the adoption of new standards and interpretations mandatory for annual periods beginning on or before 1 July 2013, noted below:

###### AASB 10 Consolidated Financial Statements

AASB 10 establishes a revised control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements and AASB Interpretation 112 Consolidation Special Purpose Entities. The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

The adoption of AASB 10 had no effect on the financial position or performance of the Consolidated Entity.

###### AASB 13 Fair value measurement

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

The adoption of AASB 13 had no effect on the financial position or performance of the Consolidated Entity.

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

#### (b) New and amended accounting standards and interpretations (cont'd)

##### AASB 119 Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short - term employee benefits. The distinction between short - term and other long - term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The adoption of AASB 119 did not have material effect on the financial position or performance of the Consolidated Entity.

The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

#### (c) Going concern basis of accounting

Notwithstanding the loss for the period of \$1,027,423 (31 December 2012: \$1,133,111), net deficit of assets of \$1,491,345 at 31 December 2013 (30 June 2013: \$1,101,249) and net cash outflows used in operations of \$797,476 (31 December 2012: \$935,112), the financial report has been prepared on a going concern basis; the Directors consider that this is appropriate given a number of factors, including that Entellect continues to take steps to manage and reduce its corporate overheads, whether by streamlining its management team in San Francisco, or seeking to reduce corporate administrative costs through the proposed unmarketable parcel share reduction program. The Non-Executive Directors additionally have agreed not to take any payment on their directors' fees in the interim until such time that Entellect has sufficient funds in excess of its working capital requirements. Further, the Board is encouraged by the commencement of revenues from KNeoWORLD subscriptions through the PTA channel; whilst the Board is cognisant that revenues are at low initial levels, the Directors are cautiously optimistic that this revenue stream will steadily increase given the conversion trend has been established in the execution of the PTA sales initiative across the USA. Finally, the Directors are confident that, in accordance with the Company's previous track record of capital raising, Entellect will be able to continue to raise funds as and when required, in order to finance the ongoing capital requirements of the Group for the foreseeable future.

On the basis of these factors, although there is material uncertainty, the Group'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 the 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

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

#### (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.

#### 2) Fair value of financial liabilities

In compliance with the financial reporting obligations, the Directors of the Company had appointed Pitcher Partners to perform a fair value valuation of the convertible notes and the related embedded derivatives as at 30 June 2013. The fair value valuation has involved estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, the best estimate is used. The fair value valuation report has been used to rollover to 31 December 2013.

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

#### 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 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 2013			Six months ended 31 December 2012		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Segment Revenue</b>						
From continuing operations	-	-	-	-	-	-
External Sales	-	-	-	-	-	-
<b>Total segment revenue</b>	-	-	-	-	-	-
<b>Segment net loss before tax</b>	<b>(5,560)</b>	<b>(444,579)</b>	<b>(450,139)</b>	<b>(5,576)</b>	<b>(722,253)</b>	<b>(727,829)</b>
<b>Reconciliation of segment result to group net loss</b>						
Unallocated items	-	-	-	-	-	-
Corporate costs	-	-	<b>(577,284)</b>	-	-	<b>(405,282)</b>
<b>Group net loss before tax</b>	-	-	<b>(1,027,423)</b>	-	-	<b>(1,133,111)</b>

**ENTELLECT LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**2. Segment reporting (Continued)**

	31 December 2013			30 June 2013		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Segment assets	6,630	69,803	76,433	12,180	66,120	78,300
Corporate assets	-	-	355,761	-	-	133,411
<b>Total Group Assets</b>	<b>-</b>	<b>-</b>	<b>432,194</b>	<b>-</b>	<b>-</b>	<b>211,711</b>
<b>Liabilities</b>						
Segment Liabilities	-	(115,346)	(115,346)	-	(74,734)	(74,734)
Corporate liability	-	-	(1,808,193)	-	-	(1,238,226)
<b>Total Group Liabilities</b>	<b>-</b>	<b>-</b>	<b>(1,923,539)</b>	<b>-</b>	<b>-</b>	<b>(1,312,960)</b>

**3. Financial Liabilities (Current)**

	31 December 2013 \$	30 June 2013 \$
<i>Financial liabilities measure at amortised cost:</i>		
- Convertible notes – loan component	1,347,101	829,369
<i>Financial liabilities designated at FVTPL:</i>		
- Embedded derivatives	190,557	186,279
	<b>1,537,658</b>	<b>1,015,648</b>
<i>Movement of the financial liabilities</i>		
<i>Opening balance: Convertible notes – loan component</i>	829,369	-
<i>Additions during the period</i>	600,000	788,467
<i>Increase in unpaid interest</i>	43,662	40,902
<i>Equity component transfer to reserve</i>	(51,156)	
<i>Imputed interest charge</i>	25,226	-
<i>Conversion to share</i>	(100,000)	-
<i>Closing balance: Convertible notes – loan component</i>	<b>1,347,101</b>	<b>829,369</b>
<i>Opening balance: Embedded derivatives</i>	186,279	-
<i>Additions during the period</i>	-	193,982
<i>(Gain)/Loss on movement in fair value</i>	4,278	(7,703)
<i>Closing balance: Embedded derivatives</i>	<b>190,557</b>	<b>186,279</b>



# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

#### 3. Financial Liabilities (Current) (cont'd)

During the period, an additional \$600,000 convertible notes were issued to fund and expand the continued development of the online educational games portal, www.KNeoWORLD.com. The first issue of \$25,000 was on 12 September 2013 with an interest rate of 10% - 15% per annum on the face value and is convertible at \$0.001 with expiry date on 28 February 2015.

The second issue of \$575,000 was on 29 November 2013. Each note bears interest at a rate of 10% - 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 2015. The convertible notes are repayable upon expiry if not redeemed prior to that time. Each note has a conversion price of \$0.001. \$100,000 of these notes were converted prior to 31 December 2013.

#### 4. Performance rights issued to Directors for the Long Term Incentive Plan (LTIP)

The performance rights were approved by shareholders on 29 November 2013 under the Company's LTIP.

The Company granted 89,000,000 performance rights under the plan to Directors on 29 November 2013. The exercise price of the rights was zero cents. The rights vest if the Company achieves its \$5 million gross revenue during any given 12 consecutive months (Revenue Hurdle) and the Director is continuously employed until the date the Revenue Hurdle is achieved. The rights will lapse if the vesting conditions are not achieved by 31 December 2016 (expiry date).

The fair value of the performance rights granted at grant date was \$0.003 per the ASX daily closing price on the date of the AGM.

As at 31 December 2013, the Company did not recognise any performance rights expense to statement of profit or loss and other comprehensive income in accordance with accounting standard AASB2 Share-based Payment as the expense was minimal. In view of the performance rights only vesting upon the achievement of the above-said performance conditions, management took into account the probability of achievement of the performance conditions in determining the expense.

**ENTELLECT LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

**5. Issued Capital**

	<b>31 December 2013 \$</b>	<b>30 June 2013 \$</b>
<b>a. Paid up Capital</b>		
<b>2,051,122,932</b> (June 2013: 1,426,122,932) fully paid ordinary shares	<b>67,188,756</b>	66,612,169
Share issue costs	<b>(20,000)</b>	(48,413)
	<b>67,168,756</b>	<b>66,563,756</b>
<b>b. Ordinary Shares</b>	<b>No.</b>	<b>No.</b>
At the beginning of reporting period	<b>1,426,122,932</b>	985,337,932
Shares issued during the period		
• 2 August 2013	<b>200,000,000</b>	-
• 5 August 2013	<b>65,000,000</b>	-
• 24 October 2013	<b>80,000,000</b>	-
• 29 October 2013	<b>30,000,000</b>	-
• 27 December 2012	-	144,785,000
• 11 March 2013	-	171,000,000
• 1 May 2013	-	100,000,000
• 11 June 2013	-	25,000,000
Conversion of Convertible notes to share during the period		
• 6 December 2013	<b>25,000,000</b>	-
• 12 December 2013	<b>75,000,000</b>	-
Exercise of options during the period		
• 10 December 2013	<b>50,000,000</b>	-
• 18 December 2013	<b>50,000,000</b>	-
• 20 December 2013	<b>25,000,000</b>	-
• 30 December 2013	<b>25,000,000</b>	-
At reporting date	<b>2,051,122,932</b>	1,426,122,932

# ENTELLECT LIMITED AND CONTROLLED ENTITIES DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

## **6. Contingent liabilities**

There are no outstanding contingent liabilities as at 31 December 2013 (30 June 2013: Nil).

## **7. 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 2013, 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 2013.

## **8. Subsequent events**

On 10 January 2014, 100,000,000 shares were issued upon the conversion of four convertible notes issued on 6 December 2013. The subscription price per convertible note was \$25,000 of total subscription price of \$100,000.

On 11 February 2014, 100,000,000 share were issued upon the exercise of option at an exercise price of \$0.001 per share of total consideration \$100,000 and 5,000,000 share were issued in lieu of professional fee at a deemed issued price of \$0.003 per share for total professional fee of \$15,000.

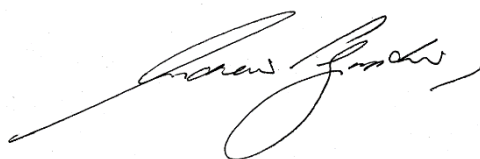
No other matters, other than noted above, since 31 December 2013 will have a material effect on the financial position and operations of the group.

## ENTELLECT LIMITED AND CONTROLLED ENTITIES DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

The Directors of the Entellect Limited declare that:

1. The Interim Financial Report for the half-year ended 31 December 2013, as set out on pages 8 to 19 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 2013 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.



Chairman  
28 February 2014

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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 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant 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 2013 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.

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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 2013 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 \$1,027,423 and net cash outflows used in operations of \$797,476 during the half-year ended 31 December 2013 and has net deficit of assets of \$1,491,345 at 31 December 2013. 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 2014