

# ENTELLECT LIMITED

(ASX:ESN)

## ASX and Media Release

29 August 2014

### Appendix 4E – FY2014 Preliminary Final Results

Entellect Limited (**Entellect** or the **Company**) advises shareholders of its preliminary final results for the Company and its controlled entities (the **Group**) in respect of the financial year ended 30 June 2014 (**FY14** or the **year**) as follows:

#### Preliminary FY14 results

The Group's results for the year ended 30 June 2014 reflect the investment by the Group in further developing and commercialising its **KNeoWORLD Games Portal** and in expanding its sales and marketing activities, including the appointment of new COO, Marti Miernik. During the year, the Group continued to raise funds from existing and new shareholders to fund these activities, and also received funds from the Australian Taxation Office as part of the Research and Development Tax Incentive Program in relation to research and development undertaken in FY2013; further refunds were received during August in relation to research and development activities undertaken in FY2014.

The Group incurred a loss for the year of \$1,747,132 (2013: Loss \$2,071,446) primarily attributable to costs associated with the execution of its business development objectives, which involved the Company incurring a number of additional expenses such as market development activities and contract software development for the KNeoWORLD Games Portal, as well as ongoing corporate costs.

Whilst the Group's results for FY14 reflect that the Group did not have any significant revenue during the year, the Company took steps to improve its cash flow position by streamlining corporate costs, raising further equity capital, and applying for Government grants for its research and development activities.

During the year in June 2014, Entellect concluded an unmarketable parcel share sale facility, under which the Company successfully reduced its shareholder base from 4,379 holders to 891 holders. The facility was implemented with the objective of substantially reducing the Company's administrative costs associated with maintaining a large share register, including printing and mailing costs and share registry expenses. Entellect has observed a reduction in its cash outflow since the conclusion of the facility, and expects this to continue in FY15 and beyond.

In FY14, Entellect received significant support from existing shareholders and new investors for its capital raising activities, and raised a total of \$1,814,000 via share placements, issue of convertible notes and exercise of options which allowed the Group to fund its business development objectives.

In June 2014, the Company successfully registered as a participant in the Australian Government's Research and Development Tax Incentive Program. It subsequently received a tax refund of \$238,036 in late June 2014 from the Australian Taxation Office for its research and development activities undertaken in the 2013 financial year. In August 2014 the Company received a further \$292,434 for its research and development activities undertaken in the 2014 financial year.

## **Outlook**

The Company continues to execute its business plan in relation to the successful commercialisation of the KNeoWORLD Games Portal and the Board believes it can secure the funding required to achieve these objectives. Notwithstanding funding support from investors which the Company reasonably expects to receive if sought, Entellect anticipates receiving a further reimbursement for its research and development activities in FY14 under the Research and Development Tax Incentive Program. The funds received from the tax incentive program will be applied to the further development of the Company's product offering.

**-ENDS**

**For any other queries please contact:**

**James Kellett**, Chief Executive Officer  
**Entellect Limited**  
T: (03) 9286 7500 M: 0439 805 070  
E: james.kellett@entellect.com.au

**Sophie Karzis**, Company Secretary  
**Entellect Limited**  
T: (03) 9286 7500  
E: sk@ccounsel.com.au

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

**ASX APPENDIX 4E – PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2014**

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

# ASX Announcement - Appendix 4E

## PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

Name of Entity	Entellect Limited
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2013 to 30 June 2014
Previous corresponding reporting period:	1 July 2012 to 30 June 2013

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

	% Change	\$
Revenues from ordinary activities	<b>330</b> to	<b>5,547</b>
Loss from ordinary activities after tax attributable to members	down <b>15.7</b> to	<b>1,747,132</b>
Net loss for the year attributable to members of parent (after non-controlling interest)	down <b>2.4</b> to	<b>1,589,833</b>
<b>Dividends (distributions)</b>	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	

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2014

### Review of Operations

The Group incurred a loss for the year of \$1,747,132 (2013: Loss \$2,071,446) primarily attributable to ongoing corporate costs and the execution of its new business development objectives.

The Group's results for the year ended 30 June 2014 reflect that the Group did not have any significant revenue during the year.

Additional capital raising activities were undertaken during the year which raised \$1,814,000 via share placement, issue of convertible notes and exercise of options which allowed the Group to fund the working capital of the business development.

In June 2014, the Group received an approval for the registration of its Research & Development activities for 2013 financial year followed by a refund of \$238,036 from ATO for the Australian Government's Research & Development Tax Incentive Program. A further \$292,434 was received in August 2014 for its research and development activities undertaken in the 2014.

	30 June 2014	30 June 2013
<b>Earnings/(loss) per share</b>		
Basic and diluted (loss)/earnings per share (cents)	<b>(0.08)</b>	(0.14)

### Financial position

The Group had net liabilities of \$1,412,868 as at 30 June 2014 (2013: net liabilities \$1,101,249).

### Cash flows

During the year, the Group incurred net operating cash outflows of \$1,340,618 (2013: outflows \$1,745,522). The Group had cash of \$312,553 at 30 June 2014 (2013: \$117,037).

### Net tangible asset per share

	30 June 2014	30 June 2013
Net tangible liability backing per share	<u>(0.05) cents</u>	<u>(0.08) cents</u>

### Results of segments

The Group has two operating segments being the Educational Games Distribution business and the vPublisher eBook Content Delivery Software business. While the Board acknowledges neither business achieved revenue during the year, segment reporting is maintained for continuity and the basis for future reporting. Refer to Note 1 for segment disclosure.

**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>Revenue</b>			
Sales revenue		5,547	1,283
Other income		242,940	16,642
		<u>248,487</u>	17,925
Employee benefits expenses		(481,762)	(705,079)
Corporate/professional expenses		(507,585)	(501,214)
Depreciation and amortisation expenses		(20,798)	(25,677)
Other expenses		(756,716)	(687,943)
Finance costs		(251,568)	(100,629)
Impairment of leasehold improvement cost		-	(76,532)
Gain on movement in fair value of embedded derivatives option		22,810	7,703
<b>Loss before income tax</b>		<u>(1,747,132)</u>	(2,071,446)
Income tax benefit		-	-
<b>Loss for the year attributable to members</b>		<u>(1,747,132)</u>	(2,071,446)
<b>Other comprehensive loss:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign operations (net of tax)		(22,915)	(44,545)
<b>Total comprehensive loss for the year</b>		<u>(1,770,047)</u>	(2,115,991)
<b>Loss attributable to:</b>			
Members of the parent entity		(1,589,833)	(1,629,615)
Non-controlling interests		(157,299)	(441,831)
		<u>(1,747,132)</u>	(2,071,446)
<b>Total comprehensive loss attributable to:</b>			
Members of the parent entity		(1,608,165)	(1,619,984)
Non-controlling interests		(161,882)	(496,007)
		<u>(1,770,047)</u>	(2,115,991)
<b>Earnings/(loss) per share (cents per share)</b>			
Basic and diluted earnings/(loss) per share	6	(0.08)	(0.14)

*The accompanying notes form part of this preliminary final report*

**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	Notes	2014 \$	2013 \$
<b>Current Assets</b>			
Cash and cash equivalents		312,553	117,037
Trade and other receivables		29,598	17,166
Other assets		76,596	41,127
<b>Total Current Assets</b>		<b>418,747</b>	<b>175,330</b>
<b>Non-current Assets</b>			
Property, plant and equipment		20,534	29,288
Intangible assets		-	7,093
<b>Total Non-current Assets</b>		<b>20,534</b>	<b>36,381</b>
<b>Total Assets</b>		<b>439,281</b>	<b>211,711</b>
<b>Current Liabilities</b>			
Trade and other payables		380,100	297,312
Financial liabilities	4	1,472,049	1,015,648
<b>Total Current Liabilities</b>		<b>1,852,149</b>	<b>1,312,960</b>
<b>Total Liabilities</b>		<b>1,852,149</b>	<b>1,312,960</b>
<b>Net (Liabilities)/Assets</b>		<b>(1,412,868)</b>	<b>(1,101,249)</b>
<b>Equity</b>			
Issued capital	5	67,986,375	66,563,756
Reserves		(77,586)	(95,063)
Accumulated losses		(68,576,914)	(66,987,081)
<b>Parent Entity Interest</b>		<b>(668,125)</b>	<b>(518,388)</b>
Non-controlling interest		(744,743)	(582,861)
<b>Total Equity</b>		<b>(1,412,868)</b>	<b>(1,101,249)</b>

*The accompanying notes form part of this preliminary final report*

**ENTELLECT LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 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 year	-	(1,589,833)	-	-	(157,299)	(1,747,132)
Other comprehensive income	-	-	(18,332)	-	(4,583)	(22,915)
<b>Total comprehensive income</b>	-	<b>(1,589,833)</b>	<b>(18,332)</b>	-	<b>(161,882)</b>	<b>(1,770,047)</b>
Shares issued	854,000	-	-	-	-	854,000
Exercise of options	375,000	-	-	-	-	375,000
Conversion of Convertible notes to share	250,000	-	-	-	-	250,000
Transaction costs on share issued	(56,381)	-	-	-	-	(56,381)
Equity component of convertible notes	-	-	-	35,809	-	35,809
<b>Balance at 30 June 2014</b>	<b>67,986,375</b>	<b>(68,576,914)</b>	<b>(113,395)</b>	<b>35,809</b>	<b>(744,743)</b>	<b>(1,412,868)</b>
<b>Balance at 1 July 2012</b>	<b>66,026,599</b>	<b>(65,301,128)</b>	<b>(50,053)</b>	<b>377,775</b>	<b>(575,608)</b>	<b>477,585</b>
Net loss for the year	-	(1,629,615)	-	-	(441,831)	(2,071,446)
Other comprehensive income	-	-	(45,010)	-	465	(44,545)
<b>Total comprehensive income</b>	-	<b>(1,629,615)</b>	<b>(45,010)</b>	-	<b>(441,366)</b>	<b>(2,115,991)</b>
Shares issued	585,570	-	-	-	-	585,570
Transaction costs on shares issued	(48,413)	-	-	-	-	(48,413)
Acquisition of 20% NCI in subsidiary	-	(434,113)	-	-	434,113	-
Transferred to retained earnings	-	377,775	-	(377,775)	-	-
<b>Balance at 30 June 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>

*The accompanying notes form part of this preliminary final report*

**ENTELLECT LIMITED & CONTROLLED ENTITIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,102	17,559
Payments to suppliers and employees		(1,783,260)	(1,705,317)
Grants from research and development		222,564	-
Interest received		4,904	1,963
Finance costs		(40,928)	(59,727)
<b>Net cash used in operating activities</b>		<b>(1,590,618)</b>	<b>(1,745,522)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,833)	(2,397)
<b>Net cash used in investing activities</b>		<b>(4,833)</b>	<b>(2,397)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		880,381	585,570
Exercise of options		375,000	-
Payment for share issue costs		(41,381)	(48,413)
Proceeds from convertible notes		600,000	950,000
<b>Net cash provided by financing activities</b>		<b>1,814,000</b>	<b>1,487,157</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>218,549</b>	<b>(260,762)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>117,037</b>	<b>419,255</b>
Effects of exchange rate changes on cash and cash equivalents		(23,033)	(41,456)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>312,553</b>	<b>117,037</b>

*The accompanying notes form part of this preliminary final report*

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

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

### 1. Segment reporting

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group's has two operating segments being the Educational Games Distribution business and the vPublisher eBook Content Delivery Software business. While the Board acknowledges neither business achieved revenue during the period, segment reporting is maintained for continuity and the basis for future reporting.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and /or services provided by the segment; and
- The type or class of customer for the products or services.

#### Segment performance

	2014			2013		
	vPublisher	Educational Games	Consolidated	vPublisher	Educational Games	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Segment Revenue</b>						
External Sales	-	-	-	-	-	-
<b>Total segment revenue</b>	-	-	-	-	-	-
<b>Segment net loss before tax</b>	<b>(9,043)</b>	<b>(786,498)</b>	<b>(795,540)</b>	(11,360)	(1,188,915)	(1,200,275)
<b>Reconciliation of segment result to group net profit</b>						
Unallocated items	-	-	-	-	-	-
Corporate costs	-	-	<b>(951,592)</b>	-	-	(871,171)
<b>Group net loss before tax</b>	-	-	<b>(1,747,132)</b>	-	-	(2,071,446)
<b>Assets</b>						
Segment assets	<b>3,382</b>	<b>52,711</b>	<b>56,093</b>	12,180	66,120	78,300
Corporate asset	-	-	<b>383,188</b>	-	-	133,411
Unallocated	-	-	-	-	-	-
<b>Total Group Assets</b>	-	-	<b>439,281</b>	-	-	211,711
<b>Liabilities</b>						
Segment liabilities	-	<b>(40,209)</b>	<b>(40,209)</b>	-	(74,734)	(74,734)
Corporate liability	-	-	<b>(1,811,940)</b>	-	-	(1,238,226)
Unallocated	-	-	-	-	-	-
<b>Total Group Liabilities</b>	-	-	<b>(1,852,149)</b>	-	-	(1,312,960)

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

### 2. Dividends

The Group does not intend to pay a dividend in respect of the year ended 30 June 2014 (2013: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

### 3. Net Tangible Assets Per Share

Net tangible (liability)/asset backing per ordinary share at 30 June 2014 was (0.05) cents (2013: (0.08) cents).

### 4. Financial Liability (Current)

	2014 \$	2013 \$
<i>Financial liabilities measure at amortised cost:</i>		
- Convertible notes – loan component	<b>1,308,580</b>	829,369
<i>Financial liabilities designated at FVTPL:</i>		
- Embedded derivatives	<b>63,469</b>	186,279
	<b>1,472,049</b>	1,015,648
<i>Movement of the financial liabilities</i>		
<i>Opening balance: Convertible notes – loan component</i>	<b>829,369</b>	-
<i>Additions during the period</i>	<b>600,000</b>	788,467
<i>Increase in unpaid interest</i>	<b>103,152</b>	40,902
<i>Equity component transfer to reserve</i>	<b>(35,809)</b>	
<i>Imputed interest charge</i>	<b>61,868</b>	-
<i>Conversion to share</i>	<b>(250,000)</b>	-
<i>Closing balance: Convertible notes – loan component</i>	<b>1,308,580</b>	829,369
<i>Opening balance: Embedded derivatives</i>	<b>186,279</b>	-
<i>Additions during the period</i>	-	193,982
<i>(Gain)/Loss on movement in fair value</i>	<b>(22,810)</b>	(7,703)
<i>Closing balance: Embedded derivatives</i>	<b>163,469</b>	186,279

During the year, additional \$600,000 convertible notes were issued to fund and expand the continued development of the online educational games portal, [www.KNeoWORLD.com](http://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.

During the year, \$250,000 of these notes was converted to share capital.

**ENTELLECT LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**5. Issued Capital**

	2014 \$	2013 \$
<b>a. Paid-up Capital</b>		
<b>2,663,122,932</b> (2013: 1,426,122,932) fully paid ordinary shares	<b>67,986,375</b>	66,563,756
	<b>No.</b>	No.
<b>b. Ordinary Shares</b>		
At the beginning of reporting period	<b>1,426,122,932</b>	985,337,932
Shares issued during the period		
— Share issued	<b>612,000,000</b>	440,785,000
— Exercise of options	<b>375,000,000</b>	-
— Conversion of convertible notes	<b>250,000,000</b>	-
At reporting date	<b>2,663,122,932</b>	1,426,122,932

**6. Earnings Per Share**

	2014	2013
Basic and diluted earnings/(loss) per share	(0.08) cents	(0.14) cents
<b>Weighted Average Number of Shares</b>	<b>No.</b>	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<b>2,148,953,069</b>	1,129,672,206
<b>Earnings Used in Calculating EPS</b>	<b>\$</b>	\$
Loss for the year	<b>1,747,132</b>	2,071,446
Loss attributable to non-controlling interest	<b>157,299</b>	441,831
Loss used to calculate basic and diluted EPS	<b>1,589,833</b>	1,629,615

As the Group has made a loss in the current year, the impact of options is anti-dilutive, and as such has not been included in the calculation of diluted EPS.

**7. Contingent liabilities**

There are no outstanding contingent liabilities as at 30 June 2014 (2013: Nil).

# ENTELLECT LIMITED AND CONTROLLED ENTITIES

## NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT

### FOR THE YEAR ENDED 30 JUNE 2014

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

##### Control gained over entities

The Group did not acquire any subsidiary entities in the year ended 30 June 2014.

##### Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2014.

#### 9. Company announcements

Refer to the ASX website (ASX: ESN) for details of Company announcements made during the year.

#### 10. Subsequent events

Other than the matters noted below, no matters have arisen in the interval between the end of the financial year and the date of this report in respect of any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

On 15 July 2014, the Company held an Extraordinary General Meeting (EGM) and the results on all resolutions were passed and announced.

On 30 July 2014, the Company issued 108,200,000 shares and 140,100,000 options after the EGM approval.

#### 11. Status of the audit

This Preliminary Financial Report is based on the Group's 2014 annual financial report, the accounts of which are in the process of being audited. No matters have arisen thus far which would result in a dispute or qualification in the current year.

#### On behalf of the Board



Andrew Plympton  
Chairman

Melbourne, 29 August 2014