

ASX Appendix 4D
Entellect Solutions Limited
Half-Year Ended 31 December 2008
Results for announcement to market

Revenue from ordinary activities	up 417% to	\$2,991,142
Net loss from ordinary activities after tax attributable to members	down 79% to	\$722,165
Net loss from ordinary activities attributable to members	down 79% to	\$722,165
No interim dividend proposed		

Entellect Solutions' total revenue for the half-year ended 31 December 2008 of \$2,991k is 417% higher than the December 2007 half-year (\$578k). Major components of revenue included \$1,056k from the Tasmania Department of Education as a result of the acceptance of the eMinerva Student Management System and \$995k being license fee on the sale of the eMinerva Student Management system to Brisbane Catholic Education.

Costs for the period decreased by 7% due to stringent cost controls being implemented. Deferred costs of \$456k in respect of the Tasmanian project were recognised during the period, but for which overall costs would have reduced by 19% notwithstanding the addition of the VCI business.

Overall, Entellect Solution's net loss from ordinary activities of \$722k for the half-year ended 31 December 2008 is 79% lower than the prior half-year loss of \$3,422k.

For further information relating to the activities of Entellect Solution over the past six months, please refer to the attached Interim Financial Report.

Net Tangible asset per security

	2008	2007
Net tangible asset backing per security	<u>(0.07) cents</u>	<u>(0.3) cents</u>

The attached interim financial report for the half-year ended 31 December 2008 has been subject to review by the company's independent auditor and an unqualified review report has been issued.

Audit Process

This report is based on the interim financial report which has been reviewed and for which an unqualified review statement has been issued. Please refer to the 31 December 2008 Interim Financial Report signed on 26th February 2009.

ENTELLECT SOLUTIONS LTD and Controlled Entities

ABN 41 009 221 783

Interim Financial Report for the half-year ended 31 December 2008

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DIRECTORS' REPORT

Your directors submit the financial report of the Consolidated Entity for the half-year ended 31 December 2008.

DIRECTORS

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

Jeffrey Bennett	Non-Executive Chairman
Paul Devine	Non-Executive Director
Conrad Crisafulli	Non-Executive Director (appointed 8 August 2008)
Paul Lowry	Non-Executive Director (appointed 14 October 2008)
Peter Sedy	Non-Executive Director (resigned 14 October 2008)

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 2008 have represented a positive start to the 2008 - 09 financial year with Entellect Solutions' CEO Joe Younane and his management team making significant progress in the implementation of its new strategies.

These strategies are designed to achieve the transition of Entellect Solutions' focus away from Research and Development and towards a strong commitment to realising commercial value from its existing products vPublisher™ and eMinerva™ and developing new opportunities in all relevant market sectors. These strategies include –

- The development of the patents and Intellectual Property acquired from ARC Research and Development to produce the leading edge curriculum, reporting and assessment system named vSTARS™. This new product caters to the unmet demand, both locally and internationally, for a simple but effective tool offering comprehensive reporting, assessment and measurement in school communities at every level;
- Maintaining eMinerva™ compliance in respect of Registered Training Organisations' (RTOs) reporting obligations such as HEPCAT and VET Fee Help as well as continuous functionality enhancements to ensure the system retains its position as the premier student management system in Australia;
- Further development and functionality enhancements of vPublisher™ to firmly position this product as a technology leader in the eBook market.

In respect of each of these products we have made solid progress during the past 6 months giving us a sound base from which the group will advance. Achievements during this period include –

- eMinerva™ Enterprise Student Management System has been successfully delivered to and accepted by Tasmania Department of Education and is currently in the process of undergoing exhaustive trials ahead of full deployment;
- eMinerva™ Enterprise Student Management System has been purchased by Brisbane Catholic Education;
- eMinerva™ Student Management System has been purchased by a number of RTOs, colleges, Higher Educational Providers and training facilities;
- development of the vSTARS™ curriculum, reporting and assessment product is progressing ahead of schedule. An initial enterprise license for vSTARS™ has been acquired by Brisbane Catholic Education;
- vPublisher™ state of the art technology is providing significant market opportunities to establish the product as the market leader in Australia and abroad.

DIRECTORS' REPORT (cont.)

The Sales and Marketing team has been expanded and strengthened across all product lines: Enterprise and Higher Education eMinerva™, vSTARS™ and vPublisher™. The team's strong focus on profitable sales has established a solid sales pipeline across a number of markets with excellent prospects that can be converted in the coming months.

The technical excellence, stability and leadership of the Professional Services, Technology and Infrastructure teams has resulted in exceptional quality and the highest standards in design and development of our systems, leading to delivery being consistently on time and on budget.

The merit of these changes and achievements and the company's focus on commercial returns is reflected in the financial results of the group, particularly when compared with the performance in the corresponding period last year. This is evident in the table below.

	Half year to December 2008	Half year to December 2007	% Change
Revenue from ordinary activities	\$2,991,142	\$578,269	Up 417%
Net loss from ordinary activities	\$722,165	\$3,421,507	Down 79%

It should be noted that these results exclude any revenues from the recently announced vSTARS™ license contract with Brisbane Catholic Education as these have been treated as deferred income.

We are very appreciative of the customers that we have across all our businesses. Brisbane Catholic Education have been invaluable in their support and their confidence in us and our ability to deliver them world class solutions through eMinerva™ and vSTARS™. The Tasmanian Department of Education continues to be a true partner and we believe that we have been able to deliver a best-of-breed eMinerva™ student management solution to them as a result of this excellent working relationship. Similarly we thank our numerous Higher Education Customers using eMinerva™.

Your Board, the management team and staff remain absolutely committed to delivering on the opportunities that the education and printing markets provides and leveraging off the excellent positioning of eMinerva™, vSTARS™ and vPublisher™ to take advantage of and capitalise on these opportunities. We believe that the effort that has been expended over the past 6 months and the continued advances that have been achieved will be transformed into further successes in the coming periods.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2008, which forms part of this report.

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



Jeffrey Bennett - Chairman
Dated this 26th day of February 2009

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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 half-year ended 31 December 2008, 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 NSW
Chartered Accountants



C F Farley
Partner

Sydney, 26 February 2009

CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated Entity	
	31.12.2008	31.12.2007
	\$	\$
Revenue	2,991,142	578,269
Employee benefits expense	(2,777,862)	(2,647,294)
Office expenses	(207,357)	(155,448)
Communication expenses	(43,079)	(65,175)
Information technology expenses	(120,875)	(87,568)
Marketing and travel expenses	(77,063)	(103,291)
Professional expenses	(232,009)	(593,617)
Corporate expenses	(114,452)	(46,414)
Depreciation and amortisation expenses	(120,838)	(285,332)
Borrowing costs expense	(15,881)	(5,619)
Other expenses from ordinary activities	(3,891)	(10,018)
Loss before income tax	(722,165)	(3,421,507)
Income tax expense	-	-
Loss for the period	(722,165)	(3,421,507)
Loss attributable to minority interests	-	-
Loss attributable to members of the parent entity	(722,165)	(3,421,507)
Overall Operations:		
Basic loss per share (cents per share)	(0.06)	(0.52)
Diluted loss per share (cents per share)	(0.06)	(0.52)

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Consolidated Entity	
	31.12.2008	30.06.2008
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	842,002	902,753
Trade and other receivables	332,774	371,299
Total Current Assets	1,174,776	1,274,052
Non-current Assets		
Property, plant and equipment	79,207	131,385
Intangible assets	1,947,005	2,454,850
Total Non-current Assets	2,026,212	2,586,235
TOTAL ASSETS	3,200,988	3,860,287
LIABILITIES		
Current Liabilities		
Trade and other payables	633,881	1,332,197
Short-term borrowings	92,482	193,206
Short-term provisions	138,789	144,220
Other deferred revenue	1,231,907	1,295,792
Total Current Liabilities	2,097,059	2,965,415
Non-current Liabilities		
Long-term provisions	15,335	9,359
Total Non-current Liabilities	15,335	9,359
TOTAL LIABILITIES	2,112,394	2,974,774
NET ASSETS / (LIABILITIES)	1,088,594	885,513
EQUITY		
Issued capital	60,312,748	59,402,151
Reserves	568,932	554,283
Accumulated losses	(59,793,086)	(59,070,921)
TOTAL EQUITY	1,088,594	885,513

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Ordinary Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Options Reserve	Total
Balance at 1.7.2007	51,859,739	(51,587,149)	15,123	265,822	553,535
Net income recognised directly in equity	-	-	-	-	-
Loss for the period	-	(3,421,507)	-	-	(3,421,507)
Total recognised income and expense for period	-	(3,421,507)	-	-	(3,421,507)
Shares issued	1,974,001	-	-	-	1,974,001
Recognition of employee options	-	-	-	87,274	87,274
Foreign currency translation differences	-	-	(12,188)	-	(12,188)
Balance at 31.12.2007	53,833,740	(55,008,656)	2,935	353,096	(818,885)
Balance at 1.7.2008	59,402,151	(59,070,921)	(20,408)	574,691	885,513
Net income recognised directly in equity	-	-	-	-	-
Loss for the period	-	(722,165)	-	-	(722,165)
Total recognised income and expense for period	-	(722,165)	-	-	(722,165)
Shares issued	927,397	-	-	-	927,397
Transaction Costs in Shares Issued	(16,800)	-	-	-	(16,800)
Recognition of employee options	-	-	-	16,779	16,779
Foreign currency translation differences	-	-	(2,130)	-	(2,130)
Balance at 31.12.2008	60,312,748	(59,793,086)	(22,538)	591,470	1,088,594

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Consolidated Entity	
	31.12.2008	31.12.2007
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,187,323	679,415
Payments to suppliers and employees	(4,068,190)	(3,416,790)
Interest received	17,712	12,175
Finance costs	(15,881)	(5,619)
Grant income received	40,000	-
Net cash used in operating activities	(839,036)	(2,730,819)
Cash flows from investing activities		
Payment for plant and equipment	-	(11,391)
Payment for acquired software	(8,150)	(14,670)
Payment for software development	-	(250,884)
Net cash used in investing activities	(8,150)	(276,945)
Cash flows from financing activities		
Proceeds from issue of shares (Net of costs)	910,597	1,974,001
Proceeds from borrowings	-	300,000
Repayment of borrowings	(124,162)	(24,032)
Net cash provided by financing activities	786,435	2,249,969
Net decrease in cash held	(60,751)	(757,795)
Cash at the beginning of the period	902,753	1,062,545
Cash at the end of the period	842,002	304,750

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Entellect Solutions Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the Consolidated Entity and are consistent with those applied in the 30 June 2008 Annual Report.

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 and the deficit of current assets over current liabilities, the financial report has been prepared on the going concern basis. This is based on the fact that the directors are confident that the combination of ongoing sales, recent contract successes (including the eMinerva™ Student Management System to Brisbane Catholic Education) and careful management of overheads will provide sufficient funds to meet the ongoing working capital requirements of the group for the foreseeable future.

Whilst there is always uncertainty, the directors consider it appropriate to prepare the accounts on a going concern basis as they are satisfied that, based on the cash flow forecasts prepared, 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.

NOTE 2: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 3: Events Subsequent to Reporting Date

Since the end of the period there have been no events which would have a material impact on the interim financial report.

NOTE 4: Segment Reporting

Primary Reporting – Business Segments

The Consolidated Group operates in two main business segments:

- Development, sale and implementation of Student Management Systems software (“eMinerva”); and
- Development of software which creates online publications (“vPublisher)

	eMinerva		vPublisher		Total	
	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007	31 Dec 2008	31 Dec 2007
	\$	\$	\$	\$	\$	\$
Segment revenues	2,972,992	578,269	18,150	-	2,991,142	578,269
Segment result	(349,052)	(3,421,507)	(373,113)	-	(722,165)	(3,421,507)

NOTE 5: Impairment Losses

There was no impairment recognised for the half-year ended 31 December 2008 (2007: \$ Nil).

DIRECTORS' DECLARATION

The directors of the Entellect Solutions Limited and controlled entities declare that:

1. The interim financial report for the half-year ended 31 December 2008, as set out on pages 4 to 8:
 - (a) complies with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give 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.
2. In the director's 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.



Jeffrey Bennett - Chairman
Dated this 26th day of February 2009

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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, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement 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 company and the entities it controlled at the half-year's end or from time to time during that 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 control 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 Auditing Standard on Review Engagement 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 Entellect Solutions Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ENTELLECT SOLUTIONS LIMITED (cont)**

Auditor's responsibility (cont)

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 2008 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 a going concern

Without qualification to the conclusion expressed above, attention is drawn to Note 1 of the interim financial report. As described in Note 1, the consolidated entity incurred a net loss for the half-year and has a deficit of current assets over current liabilities and is reliant on ongoing contract successes, as well as careful management of overheads, to meet ongoing working capital needs. These matters 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 whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.



GRANT THORNTON NSW
Chartered Accountants



C F Farley
Partner

Sydney, 26 February 2009