



ENTELLECT LIMITED

(ASX:ESN)

ASX and Media Release

26 August 2011

- **Recapitalisation completed**
- **Re-quotation of Company's shares on ASX completed**
- **Knowledge Nation Underway**
- **vPublisher products re-launched**
- **Company well positioned to pursue future growth opportunities**

Rebuilding Complete

The Directors of Entellec Limited are pleased to confirm to shareholders that the major restructuring, consolidating and rebuilding of the Group's corporate, capital and project base is now complete.

Results

The Group's results for the year ended 30 June 2011 reflect that the Group did not have revenue during the 2011 financial year but during the period entered into its 60% owned venture Knowledge Nation and re-established its vPublisher products. Following its recapitalisation, the Group is now well placed to execute its business development objectives

Positioned for Growth - Outlook

Knowledge Nation

Entellec's excitement and belief in its games-based educational concepts and strategies continues to grow. Knowledge Nation is convinced that there will be dynamic, sustained growth in the games-based learning market over the coming years. Advancement in mobile device functionality and connectivity will make the delivery of product more rapid, more flexible and more affordable. The Knowledge Nation concept has worldwide application, including in countries or areas that may not previously have been viable for a technology-driven approach to education. By connecting learning with fun and with play, the Knowledge Nation platform and strategies will place Entellec in an extraordinarily advantageous position and on a steep revenue growth path.

vPublisher:

Entellec has re-launched vPublisher, its market ready internationally deployable mobile device, e-book content delivery software - capable of working in all languages, including Asian languages and deployable on all standard operating systems. Entellec exclusively holds the intellectual property in vPublisher. With the rapid adoption of eReaders, and new tablet computing devices, including the Apple iPad™, Blackberry Playbook™ and Samsung Galaxy™, Entellec believes there is now a mature market and increasing demand for e-book content capable of being delivered by its vPublisher product.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

ENTELLECT LIMITED
(formerly Entellect Solutions Limited)
ABN 41 009 221 783
AND CONTROLLED ENTITIES

Appendix 4E

Preliminary final report
For year ended 30 June 2011

Reporting Period

The current reporting period is 1 July 2010 to 30 June 2011

The previous corresponding reporting period is 1 July 2009 to 30 June 2010

Results for announcement to the market

		% Change	\$
Revenues from ordinary activities		N/A to	0
Net loss from ordinary activities after tax attributable to members	down	73.9 to	1,133,359
Net loss attributable to members	down	73.9 to	1,133,359
Dividends		Amount per share	Franked amount per share
Interim dividend		Nil ¢	Nil ¢
Final dividend		Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	Not applicable		

ENTELLECT LIMITED AND CONTROLLED ENTITIES

APPENDIX 4E PRELIMINARY FINAL REPORT

OPERATING AND FINANCIAL REVIEW

Group overview

Entellect Limited has no revenue for the year ended 30 June 2011 as was expected and the Group is now well placed to execute its business development objectives. During the year the Group was the subject of a successful takeover bid by ASX listed Mooter Media Ltd (MMZ) after which MMZ distributed 80% of the acquired shares in specie to its shareholders while retaining a 19% interest in Entellect Limited. Entellect Limited also undertook a 20:1 share consolidation, changed its name from Entellect Solutions Limited to Entellect Limited and established a re-capitalisation program raising \$4,327,493 that was completed post 30 June 2011 and is detailed in Note 8 Subsequent Events.

During the year Entellect Limited entered into a 60% controlled venture to establish Knowledge Nation Singapore Limited, an educational games and software development venture that wholly owns San Francisco based development company Knowledge Nation Inc. Entellect Limited also re-acquired 100% control of its vPublisher business from the Liquidator of previously owned Virtual Communications International.

	Consolidated 2011	Consolidated 2010
Earnings per share		
Basic earnings/(loss) per share (cents)	(1.30)	(3.12)
Diluted earnings/(loss) per share (cents)	(1.30)	(3.12)

Financial position

The Group had net liabilities of \$1,647,995 as at 30 June 2011 (2010: net liabilities \$347,012).

The Group had \$119,085 net book value of plant and equipment (2010: nil) and had \$33,187 (2010: nil) intangible assets as at 30 June 2011.

The Group had payables of \$228,266 at 30 June 2011 (2010: \$192,063). The Group had a short term borrowings of \$2,327,017 as at 30 June 2011 (2010: \$200,000).

Cash flows

The Group incurred net operating cash outflows of \$1,704,849 during the year ended 30 June 2011 (2010: \$2,171,346). Net investing cash outflows were \$186,781 in the year ended 30 June 2011 (2010: \$nil).

Net financing cash inflows were \$2,127,017 in the year ended 30 June 2011, (2010: net inflow \$1,298,567). During the financial year the Group took out new borrowings of \$2,127,017.

There was a cash balance at 30 June 2011 of \$275,122 (2010: \$45,051).

Results of segments

The Group's has two operating segments being the Educational Games Development business and the vPublisher eBook Content Delivery Software business. While the Board acknowledges that there was no significant activity in the vPublisher business during the first eleven months of the reporting period, segment reporting is maintained for continuity and the basis for future reporting as the vPublisher business resumes activity. Refer to Note 1 for segment disclosure.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
Revenue	-	-
Other income	70	-
	70	-
Employee benefits expense	(245,902)	-
Corporate/professional expenses	(610,128)	(270,930)
Depreciation and amortisation expense	(34,509)	-
Impairment of intangible assets	-	(1,758,142)
Other expenses	(308,152)	(541,328)
Finance costs	(70,006)	-
Loss before income tax	(1,268,627)	(2,570,400)
Income tax expense	-	-
Loss from continuing operations	(1,268,627)	(2,570,400)
Loss from discontinued operations after tax	-	(1,768,009)
Loss for the year	(1,268,627)	(4,338,409)
 Other comprehensive loss:		
Exchange differences on translating foreign controlled entities	(19,597)	-
Total comprehensive loss for the year	(1,288,224)	(4,338,409)
 Loss attributable to:		
Members of the parent entity	(1,133,359)	(4,344,542)
Non-controlling interests	(135,268)	6,133
	(1,268,627)	(4,338,409)
 Total comprehensive loss attributable to:		
Members of the parent entity	(1,152,956)	(4,344,542)
Non-controlling interests	(135,268)	6,133
	(1,288,224)	(4,338,409)
 Earnings per share		
From continuing and discontinued operations:		
Basic and diluted earnings per share (cents)	3	(1.30) (5.26)
From continuing operations:		
Basic and diluted earnings per share (cents)	3	(1.30) (3.12)
From discontinued operations:		
Basic and diluted earnings per share (cents)	3	- (2.14)

ENTELLECT LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		275,122	45,051
Trade and other receivables		135,220	-
Prepayments		344,674	-
TOTAL CURRENT ASSETS		755,016	45,051
NON-CURRENT ASSETS			
Property, plant and equipment		119,085	-
Intangible assets		33,187	-
TOTAL NON-CURRENT ASSETS		152,272	-
TOTAL ASSETS		907,288	45,051
CURRENT LIABILITIES			
Trade and other payables		228,266	192,063
Short-term borrowings		2,327,017	200,000
TOTAL CURRENT LIABILITIES		2,555,283	392,063
TOTAL LIABILITIES		2,555,283	392,063
NET LIABILITIES		(1,647,995)	(347,012)
EQUITY			
Issued capital	5	61,872,013	61,872,013
Reserves		826,682	970,966
Accumulated losses		(64,198,663)	(63,011,864)
Parent interest		(1,499,968)	(168,885)
Non-controlling interest		(148,027)	(178,127)
TOTAL SHAREHOLDERS (DEFICIENCY)		(1,647,995)	(347,012)

ENTELLECT LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital	Retained Earnings	Foreign Currency Translation Reserve	Options Reserves	Non- Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	61,872,013	(63,011,864)	(14,294)	985,260	(178,127)	(347,012)
Net loss for the year	-	(1,133,359)	-	-	(135,268)	(1,268,627)
Other comprehensive income	-	-	(19,597)	-	-	(19,597)
Non-controlling interest on initial investment	-	-	-	-	(12,759)	(12,759)
Transfer to retained earnings	-	(53,440)	14,294	(138,981)	178,127	-
Balance at 30 June 2011	61,872,013	(64,198,663)	(19,597)	846,279	(148,027)	(1,647,995)
Balance at 1 July 2009	60,573,447	(58,765,967)	(14,294)	688,868	(184,260)	2,297,794
Net loss for the year	-	(4,344,542)	-	-	6,133	(4,338,409)
Other comprehensive income	-	-	-	-	-	-
Shares issued during the period	1,366,606	-	-	-	-	1,366,606
Transaction costs on shares issued	(68,040)	-	-	-	-	(68,040)
Recognition of options expense	-	-	-	395,037	-	395,037
Transfer to retained earnings	-	98,645	-	(98,645)	-	-
Balance at 30 June 2010	61,872,013	(63,011,864)	(14,294)	985,260	(178,127)	(347,012)

ENTELLECT LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	2,913,474
Payments to suppliers and employees	(1,634,913)	(5,085,928)
Interest received	70	11,497
Finance costs	(70,006)	(10,389)
Net cash used in operating activities	(1,704,849)	(2,171,346)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(151,261)	-
Purchase of acquired software	(35,520)	-
Net cash used in investing activities	(186,781)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,366,607
Cost of issue of shares	-	(68,040)
Proceeds from borrowings	2,127,017	-
Net cash provided by financing activities	2,127,017	1,298,567
Net (decrease)/increase in cash held	235,387	(872,779)
Cash at beginning of financial year	45,051	917,830
Effects of exchange rate changes on cash and cash equivalents	(5,316)	-
Cash at end of financial year	275,122	45,051

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

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 Development business and the vPublisher eBook Content Delivery Software business. While the Board acknowledges that there was no significant activity in the vPublisher business during the first eleven months of the reporting period, segment reporting is maintained for continuity and the basis for future reporting as the vPublisher business resumes activity.

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.

	2011			2010	
	vPublisher	Educational Games	Consolidated	Educational Software	Consolidated
	\$	\$	\$	\$	\$
Segment Revenue					
From continuing operations	-	-	-	-	-
External Sales	-	-	-	-	-
Total segment revenue	-	-	-	-	-
Segment net loss before tax	(19,563)	(338,170)	(357,733)	-	-
Reconciliation of segment result to group net profit					
Unallocated items	-	-	-	-	(4,338,409)
Corporate costs	-	-	(910,894)	-	-
Group net loss before tax	-	-	(1,268,627)	-	(4,338,409)
Assets					
Segment assets	50,095	280,362	330,457	-	-
Corporate asset	-	-	576,831	-	-
Unallocated	-	-	-	-	45,051
Total Group Assets	-	-	907,288	-	45,051
Liabilities					
Segment liabilities	(5,206)	(6,831)	(12,037)	-	-
Corporate liability	-	-	(2,543,246)	-	-
Unallocated	-	-	-	-	(392,063)
Total Group Liabilities	-	-	(2,555,283)	-	(392,063)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

2. DIVIDENDS

The Group does not intend to pay a dividend in respect of the year ended 30 June 2011 (2010: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

3. EARNINGS PER SHARE

	2011	2010
Weighted Average Number of Shares	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	87,239,240	82,577,378
	2011	2010
	\$	\$
Earnings Used in Calculating EPS		
Loss for the year	(1,268,627)	(2,570,400)
Loss/(profit) attributable to non-controlling interest	135,268	(6,133)
Earnings used to calculate basic and diluted EPS	(1,133,627)	(2,576,533)

*Weighted average number of shares on issue for prior period has been adjusted to reflect share consolidation for comparative purpose.

4. NET TANGIBLE ASSETS PER SHARE

Net tangible asset backing per ordinary share at 30 June 2011 was 1.00 cents (2010: 0.05 cents).

5. ISSUED CAPITAL

	2011	2010
	\$	\$
87,239,240 (2010: 1,744,778,615) fully paid ordinary shares	61,872,013	61,803,973
Share issue costs	-	(68,040)
	61,872,013	61,872,013

	2011	2010
	No.	No.
a. Ordinary Shares		
At the beginning of reporting period	1,744,778,615	1,362,671,922
Shares issued during the year		
— 23 July 2009	-	34,500,000
— 13 August 2009	-	115,000,000
— 28 October 2009	-	180,000,000
— 2 November 2009	-	52,606,693
Shares consolidation during the year		
— 11 March 2011	(1,657,539,375)	-
At reporting date	87,239,240	1,744,778,615

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

6. CONTROL GAINED OR LOST DURING THE PERIOD

a. Subsidiaries

The consolidated financial statements include the financial statements of Entellect Limited and the subsidiaries listed in the following table.

	Country of Incorporation	Percentage Owned	
		2011	2010
Virtual Communications International Pty Ltd	Australia	100	-
Knowledge Nation Pte Ltd (1)	Singapore	60	-
MXL Holdings Pty Ltd	Australia	-	100%
MXL Group Pty Ltd	Australia	-	100%
21 AD Network Services Pty Ltd	Australia	-	100%

(1). Knowledge Nation Singapore Pte Ltd is a company in which Entellect holds a 60% controlling interest, with Australian ASX listed company Mooter Media Limited and unlisted Singapore based Hotshot Media (Singapore) Limited each holding 20%. Knowledge Nation Singapore Pte Ltd owns 100% of Knowledge Nation Inc., a US company based in San Francisco and incorporated in Delaware.

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

None.

8. SUBSEQUENT EVENTS

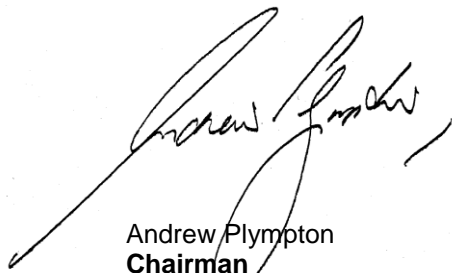
On 15 July 2011, Entellect Limited successfully completed its recapitalisation pursuant to its non-renounceable Rights Issue (with a public offer component) in conjunction with a placement (collectively the Offer), in accordance with the terms set out in the Company's Replacement Prospectus dated 17 June 2011.

The Company applied to the Australian Securities Exchange (ASX) to have its shares requoted on the official list of the ASX and this was approved; consequently, the Company's shares were re-quoted and resumed trading on the ASX on 25 July 2011.

As a result of the Offer, the Company as at 20 July 2011 has raised \$4,327,493 and has 952,737,932 fully paid ordinary shares and 9,712,500 options on issue.

9. STATUS OF THE AUDIT

This Preliminary Financial Report is based on Group's 2011 annual financial report, the accounts of which are in the process of being audited. No matters have arisen which would result in a dispute or qualification in the current year, however the 30 June 2010 comparative figures are qualified as a result of the previous voluntary administration of the Group's main operating subsidiary at that time.



Andrew Plympton
Chairman
Melbourne, 26 August 2011